

IN THE
Supreme Court of the United States

SMARTFLASH LLC,
Petitioner,

v.

SAMSUNG ELECTRONICS AMERICA, INC.,
SAMSUNG ELECTRONICS CO., LTD., APPLE INC.,
GOOGLE LLC, AND ANDREI IANCU, UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND
TRADEMARK OFFICE,
Respondents.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

**APPENDIX TO
PETITION FOR A WRIT OF CERTIORARI**

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FOR THE FEDERAL CIRCUIT

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SMARTFLASH LLC,
Appellant,

v.

SAMSUNG ELECTRONICS AMERICA, INC., ET AL.,
Appellees,

ANDREI IANCU, UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE,
Intervenor.

SMARTFLASH LLC,
Appellant,

v.

APPLE INC.,
Appellee,

ANDREI IANCU, UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE,
Intervenor.

2a

SMARTFLASH LLC,
Appellant,

v.

APPLE INC., GOOGLE LLC,
Appellees,

ANDREI IANCU, UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE,
Intervenor.

[Filed: April 11, 2018]

JUDGMENT

THIS CAUSE having been heard and considered, it
is

ORDERED and ADJUDGED:

PER CURIAM (LOURIE, DYK, and TARANTO, *Circuit
Judges*).

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

April 11, 2018

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner
Clerk of Court

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
and

GOOGLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00028¹
Patent 7,334,720 B2

[Entered May 26, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 29, 9-11.

INTRODUCTION

A. Background

Petitioner Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 1 and 2 of U.S. Patent No. 7,334,720 B2 (Ex. 1201, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 1 and 2 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”), and Apple filed a Reply (Paper 27, “Reply”).

On May 6, 2015, Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1 and 15 of the ’720 patent based on the same grounds. *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 3², “Google Pet.”). On June 29, 2015, Google filed a “Motion for Joinder” of its newly filed case with Apple’s previously instituted cases.³ CBM2015-00125 (Paper 7, “Google Mot.”). On November 16, 2015, we granted Google’s Petition and consolidated Google’s challenge to claim 1 of the

² We refer to the redacted version of the Petition.

³ Google’s Motion requested that its challenge to claim 1 be consolidated with this case and that its challenge to claim 15 be consolidated with CBM2015-00029. CBM2015-00029, filed by Apple, involves claims 3 and 15 of the ’720 patent. A Final Written Decision in CBM2015-00029 is issued concurrently with this Decision.

'720 patent with this proceeding.⁴ Paper 29; CBM2015-00125 (Paper 11).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 42 “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1 and 2 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1201, 1:6-10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the Internet without authorization. *Id.* at 1:15-41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46-62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62-2:3.

⁴ For purposes of this decision, we will cite only to Apple's Petition and the record in CBM2015-00028, and refer collectively to Apple and Google as “Petitioner.”

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46-55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56-59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13-16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Challenged Claims

Petitioner challenges claims 1 and 2 of the '720 patent. Claim 1 is independent and claim 2 depends from claim 1. Claims 1 and 2 are reproduced below:

1. A method of controlling access to content data on a data carrier, the data carrier comprising non-volatile data memory storing content memory and non-volatile parameter memory storing use status data and use rules, the method comprising:
 receiving a data access request from a user for at least one content item of the content data stored in the non-volatile data memory;
 reading the use status data and use rules from the parameter memory that pertain to use of the at least one requested content item;
 evaluating the use status data using the use rules to determine whether access to the at least one requested content item stored in the content memory is permitted; and

displaying to the user whether access is permitted for each of the at least one requested content item stored in the non-volatile data memory.

Id. at 26:17-36.

2. A method as claimed in claim 1 wherein said parameter memory further stores payment data and further comprising selecting one of said use rules dependent upon said payment data.

Id. at 26:36-39.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁵ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278-79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”).

B. Statutory Subject Matter

Petitioner challenges claims 1 and 2 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 25-38. Petitioner submits a declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁶ in support of its petition. Ex. 1219.

According to Petitioner, claims 1 and 2 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 25-38. Smartflash argues that claims 1 and 2 are directed to statutory subject matter because they are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ — that of digital data piracy.” PO Resp. 21 (citation omitted). Specifically, Smartflash asserts that

[T]he claims are directed to a particular method to combat data content piracy on the Internet by providing for legitimate acquisition of content data by transmitting requested data content to the requester after evaluating use status data using use rules to determine whether access to the requested data content is permitted.

Id. at 20.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility:

⁶ In its Response, Smartflash argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 8-15. Because Smartflash has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Smartflash’s argument as part of our analysis of the motion, discussed below.

“processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, claims 1 and 2 recite a “process,” e.g., a “method,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis

added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 1 and 2 are directed to the abstract idea of “controlling access to content, including based on payment data.” Pet. 25; *see id.* at 28-30. Although Smartflash does not concede, in its Patent Owner Response, that claims 1 and 2 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 19-22 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Paper 42 (transcript of oral hearing), 6:13-16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) *id.* at 6:17-18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

We are persuaded that claims 1 and 2 are drawn to an abstract idea. Specifically, claims 1 and 2 are directed to performing the fundamental economic practice of conditioning and controlling access to

content, based on, for example, payment. Claim 1 recites “evaluating the use status data using the use rules to determine whether access to the at least one requested content item stored in the content memory is permitted.” Claim 2 recites “selecting one of said use rules dependent upon said payment data.” Furthermore, as discussed above, the ’720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:15-55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46-2:3. The ’720 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 1 and 2 are not limited to the Internet. Claim 1, from which claim 2 depends, recites “receiving a data access request from a user for at least one content item,” “reading the use status data and use rules [] that pertain to use of the at least one requested content item,” “evaluating the use status data using the use rules to determine whether access to the at least one requested content item [] is permitted,” and “displaying to the user whether access is permitted for each of the at least

one requested content item.” As noted above, claim 2 further adds “selecting one of said use rules dependent upon said payment data.” The underlying concept of claims 1 and 2, particularly when viewed in light of the ’720 patent specification, is conditioning and controlling access to content, including based upon payment. This is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’720 patent specification and the claim language, that each of claims 1 and 2 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360

(“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenge claims are either field of use limitations or generic computer implementations, which Petitioner argues are insufficient to bring the claims within § 101 patent eligibility. Pet. 29-30. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13-14. Petitioner persuades us that claims 1 and 2 of the ’720 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 1 and 2 are either field of use limitations or generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 29-35; Reply 4-6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to

an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 30 (citations omitted). Smartflash argues that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount[s] to significantly more than the underlying abstract idea.” PO Resp. 21-22 (citing Ex. 2049, 19:1-4). We agree with Petitioner for the following reasons.

The ’720 patent specification treats as well-known and conventional all potentially technical aspects of claims 1 and 2, including the “data carrier,” “non-volatile data memory,” and “non-volatile parameter memory.” See Reply 11. For example, the specification states the recited “data store” may be a generic device such as a “standard smart card.” Ex. 1201, 11:36-39; *see also id.* at 11:28-30, 14:38-42 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. In addition, the ’720 patent specification describes the recited nonvolatile “data memory” and “parameter memory” as conventional. *See e.g.*, Ex. 1201, 6:17-19 (stating that [t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 3:64-65, 16:62-65, 18:26-30 (describing components as “conventional”), Fig. 9. Furthermore, to the extent the challenged claims require a computer, the claimed method steps perform generic computer functions, such as receiving, reading, evaluating, and displaying. *See* Pet. 3-4. The recitation of these generic computer functions is insufficient to

confer specificity. See *Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1 and 2 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. See PO Resp. 21-22. Claims 1 and 2 do not recite any particular or “distinct memories.” As noted above, the ’720 patent specification indicates that the required memories may be conventional types of memory. To the extent Smartflash contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” See *Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claims 1 and 2 also recite several generic and conventional data types, including “content data,” “data access request,” “use status data,” “use rules,” and “payment data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis

as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’720 patent related to the way the recited data types are constructed or used. In fact, the ’720 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claims 1 and 2 do not cover a “particular machine.” Pet. 37-38; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 1 and 2 do not transform an article into a different state or thing. Pet. 37-38.

Thus, we determine the potentially technical elements of claims 1 and 2 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR claim DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 1 and 2 are directed to statutory subject matter because the claims are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 5, 20 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash

avers that the claims are directed to “a particular method to combat data content piracy on the Internet by providing for legitimate acquisition of content data by transmitting requested data content to the requester after evaluating use status data using use rules to determine whether access to the requested data content is permitted.” *Id.* at 20.

Petitioner responds that claims 1 and 2 are distinguishable from the claims in *DDR Holdings*. Reply 7-14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated

with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 1 and 2 are distinguishable from the claims at issue in *DDR Holdings*. *See* Reply 7-14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 1 and 2 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ — that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 21 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. *See* Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1201, 5:4-7 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1219 ¶ 85); Ex. 1206, 1:67-2:9 (“It is an object of this invention to provide a means for selling and distributing protected software

using standard telephone lines for transferring the software from the seller to the purchaser. Another object of this invention is to permit the purchaser to rent the protected software for a period of time after which it will self destruct. Another object of this invention is to permit the purchaser to rent the protected software for a specified number of runs . . .”). Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on conditioning access to content based on payment or rules. *See* Reply 9 (citing Ex. 1219 ¶¶ 33, 84-85; Ex. 1208, Abstract, 4:27-35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Reply 11-14. For example, claim 1 of the ’720 patent requires “receiving a data access request from a user for at least one content item,” “reading the use status data and use rules [] that pertain to use of the at least one requested content item,” “evaluating the use status data using the use rules to determine whether access to the at least one requested content item [] is permitted,” and “displaying to the user whether access is permitted for each of the at least one requested content item.” These limitations, and the other limitations of claims 1 and 2, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’”

Ultramercial, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258-59).

The claims at issue in *Ultramercial*, like claims 1 and 2, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 1 and 2, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 1 and 2 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as “reading the use status data and use rules,” “evaluating the use status data using the use rules to determine whether access” to requested content is permitted, and “displaying to the user whether access is permitted” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 1 and 2 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 1 and 2 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’720 patent specification: “[b]y combin-

ing digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 17 (quoting Ex. 1201, 5:25-29). Referring to this disclosure, Smartflash argues that “[b]y using a system that combines on the data carrier both the digital content and the at least one access rule, access control to the digital content can be enforced prior to access to the digital content.” *Id.* at 17. Thus, Smartflash concludes that:

[b]y comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.

Id. at 17-18.

We are not persuaded by Smartflash’s arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was conventional. That Smartflash alleges two

specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was well-known and conventional, and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1215, Abstract, 10:24-30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 18) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 36), “underl[ying] *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope

of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims do not result in “inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 22. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “‘specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.’” *Id.* (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’720 patent do not raise preemption concerns. *Id.* at 26-28.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative one*: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . .

For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Reply 15-16 (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 1 and 2 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash's Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims of the '720 patent, including claim 1, under § 101 in its related district court litigation with Smartflash (PO Resp. 28-29); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the '720 patent (*id.* at 30); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 30-32); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 32-34). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Smartflash's reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark

Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *Id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 1 and 2 of the ’720 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 1 and 2 of the ’720 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 30; *see* Reply 22.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *4 (TTAB Apr. 2, 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 n.1 (TTAB June 18, 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” *Id.* at 32 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1 and 2 of the ’720 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 31), Petitioner filed an Opposition to Smartflash’s Motion (Paper 33), and Smartflash filed a Reply in support of its motion (Paper 34). Smartflash’s Motion to Exclude seeks to exclude Exhibit 1202-08, 1211-19, 1224-30, 1233, 1235, and 1236. Paper 31, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1202

Smartflash seeks to exclude Exhibit 1202—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 31, 1-3; Paper 34, 1-2. Specifically, Smartflash argues that Petitioner does not need to cite Smartflash’s characterization of the ’720 patent in the complaint because

the '720 patent itself is in evidence. Paper 31, 1-2. Moreover, according to Smartflash, its characterization of the '720 patent is irrelevant and, even if relevant, cumulative to the '720 patent itself. *Id.* at 2-3.

Petitioner counters that it relies on Exhibit 1202 not as evidence of the content of the '720 patent, but to show that Smartflash's characterization of the '720 patent supports Petitioner's contention that the '720 patent is a covered business method patent. Paper 33, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '720 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash's characterization of the '720 patent in another proceeding is not in the '720 patent itself, and, therefore, Exhibit 1202 is not cumulative to the '720 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the '720 patent), but as evidence of how Smartflash has characterized the '720 patent. Thus, Smartflash has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the '720 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the '720 patent in prior proceedings is relevant to the credibility of its characterization of the '720 patent in this proceeding. Smartflash contends that Exhibit 1202 does not contradict its characterization of the '720 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 31, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization

is for us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 33, 2), Smartflash’s characterization of the ’720 patent in prior proceedings is relevant to Smartflash’s contention in this proceeding that the ’720 patent does not satisfy the “financial in nature” requirement for a covered business method patent review (Prelim. Resp. 5-10).

Accordingly, we decline to exclude Exhibit 1202.

*Exhibits 1205, 1224, 1229,
1230, 1233, 1235, and 1236*

Smartflash seeks to exclude Exhibits 1205, 1224, 1229, 1230, 1233, 1235, and 1236 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 31, 3-4; Paper 34, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 31, 4. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1205 and 1236 (*see* Paper 33, 4 n.2) were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 33, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash’s reference to

FRE 703 is unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1224, 1229, 1230, 1233, and 1235. We grant the motion as to Exhibits 1205 and 1236.

Exhibits 1203-04, 1206-08, 1211-18, 1225-28

Smartflash seeks to exclude Exhibits 1203-04, 1206-08, 1211-18, 1225-28 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 31, 5-8; Paper 34, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, whether the challenged claim contains an inventive concept and whether the elements disclosed by the challenged claim were well-known, routine, and conventional. Paper 33, 4-6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 31, 6, 8. We are not persuaded by Smartflash's argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-

known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1203-04, 1206-08, 1211-18, 1225-28.

Exhibit 1219

Smartflash moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 31, 8-11; Paper 34, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 31, 8-9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 31, 10-11; Paper 34, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 33, 7 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to

be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 26-76 and 77-104 from the declaration. Paper 31, 11-12.

Paragraphs 26-76 of the Wechselberger Declaration

Paragraphs 26-76 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 31, 11.

Petitioner counters that Mr. Wechselberger's expert analyses of the prior art is relevant to the § 101 inquiry under FRE 401; the level of skill of a skilled artisan is relevant to determining whether claim elements would be considered well-known, routine, and conventional; and claim construction is relevant because the determination of patent eligibility requires

an understanding of the scope of the claimed subject matter. Paper 33, 8 (citations omitted).

We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 77-104 of the Wechselberger Declaration

Paragraphs 77-104 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 31, 11-12. Smartflash acknowledges that FRE 602 does not apply to expert witnesses, but argues that Mr. Wechselberger never states that he is an expert in the subject matter of the challenged claims. Paper 34, 2 n.2.

Petitioner counters that Smartflash's argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues; and FRE 602 does not apply to a witness's expert testimony. Paper 33, 8-9 (citations omitted).

We are not persuaded by Smartflash's arguments. Mr. Wechselberger has a Bachelor and Master in

Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1219 ¶¶ 2-12, App'x A. We are, therefore, not persuaded by Smartflash's argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. As Smartflash acknowledges, FRE 602 expressly recites that it "does not apply to a witness's expert testimony under Rule 703." Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1219 ¶¶ 84-93, 96-97), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1219 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 1 and 2 of the '720 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibits 1205 and 1236 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
and

GOOGLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00028¹
Patent 7,334,720 B2

[Entered August 16, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 29, 9-11.

INTRODUCTION

Apple Inc. (“Apple”), filed a Corrected Petition to institute covered business method patent review of claims 1 and 2 of U.S. Patent No. 7,334,720 B2 (Ex. 1201, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 5 (“Pet.”). On May 28, 2015, we instituted a transitional covered business method patent review (Paper 11) based upon Apple’s assertion that claims 1 and 2 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18. Subsequent to institution, Smartflash LLC (“Smartflash”) filed a Patent Owner Response (Paper 23, “PO Resp.”), and Apple filed a Reply (Paper 27, “Pet. Reply”) to Patent Owner’s Response. We consolidated Google, Inc.’s (“Google”) challenge to claim 1 of the ’720 patent with this proceeding. Paper 29; *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 11) (PTAB Nov. 16, 2015).

In our Final Decision, we determined that Apple had established, by a preponderance of the evidence, that claims 1 and 2 of the ’720 patent are unpatentable. Paper 44 (“Final Dec.”), 3, 31. Smartflash requests rehearing of the Final Decision. Paper 45 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 46 (“Notice”). Apple and Google filed a Response to Smartflash’s Notice. Paper 47 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

² Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 1 and 2 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 4. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5-10) and *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific

matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash’s arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 1, 16-22.” Request 7 n.3. Similarly, in Smartflash’s arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 15-27” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. See PO Resp. 21-22; see also *id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on arguments already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. See 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not

directed to an abstract idea (Req. Reh’g 11-13) is new and, therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289 (2012), and *Alice* in its Patent Owner Response. See PO Resp. 19-22 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); see also Paper 42 (transcript of oral hearing), 6:13-16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”), *id.* at 6:17-18 (Petitioner also stating “It . . . also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. See, e.g., Req. Reh’g 7 (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 14), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” (quoting Final Dec. 14)). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5-7, 11-15) were addressed at pages 10-20 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6-7) were addressed at pages 20-22 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 6-10) were addressed at pages 14-17 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, No. 2015-1763, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3³ of the ’720 patent as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2-3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution

³ We note that claim 3 is not at issue in CBM2015-00028. Final Dec. 31.

that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the ’720 patent specification treats as well-known and conventional all potentially technical elements of claims 1 and 2, the claimed method steps perform generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 12-13; Notice Resp. 1-2. These limitations of claims 1 and 2 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 17. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information⁴ in the same place or on the same device is an age old practice.” Final Dec. 19. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* (citing Ex. 1215, Abstract, 10:24-30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

⁴ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 1-2; Notice Resp. 2; Final Decision 18-19.

42a

ORDER

Accordingly, it is:

ORDERED that Smartflash's Rehearing Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
and

GOOGLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00029¹
Patent 7,334,720 B2

[Entered May 26, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 28, 9-11.

INTRODUCTION

A. Background

Petitioner Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 3 and 13-15 of U.S. Patent No. 7,334,720 B2 (Ex. 1301, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 3 and 15 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”), and Apple filed a Reply (Paper 26, “Reply”).

On May 6, 2015, Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1 and 15 of the ’720 patent based on the same grounds. *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 3², “Google Pet.”). On June 29, 2015, Google filed a “Motion for Joinder” of its newly filed case with Apple’s previously instituted cases.³ CBM2015-00125 (Paper 7, “Google Mot.”). On November 16, 2015, we granted Google’s Petition and consolidated Google’s challenge to claim 15 of

² We refer to the redacted version of the Petition.

³ Google’s Motion requested that its challenge to claim 15 be consolidated with this case and that its challenge to claim 1 be consolidated with CBM2015-00028. CBM2015-00028, filed by Apple, involves claims 1 and 2 of the ’720 patent. A Final Written Decision in CBM2015-00028 is issued concurrently with this Decision.

the '720 patent with this proceeding.⁴ Paper 28; CBM2015-00125 (Paper 11).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 41, "Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 3 and 15 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored" and the "corresponding methods and computer programs." Ex. 1301, 1:6-10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of "data pirates," who make proprietary data available over the Internet without authorization. *Id.* at 1:15-41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46-62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62-2:3.

⁴ For purposes of this decision, we will cite only to Apple's Petition and the record in CBM2015-00029, and refer collectively to Apple and Google as "Petitioner."

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46-55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56-59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13-16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Challenged Claims

We instituted a review of Petitioner’s challenges to claims 3 and 15 of the '720 patent. Claim 3 is independent and claim 15 depends from claim 14⁵. Claims 3, 14, and 15 are reproduced below:

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;
 - a data carrier interface for interfacing with the data carrier;
 - a program store storing code; and
 - a processor coupled to the first interface, the data carrier interface, and the program store for

⁵ We instituted a review of claims 13 and 14 of the '720 patent under § 101 in CBM2014-00190. *Samsung Electronics. v. Smartflash LLC*, Case CBM2015-00190 (Paper 9, 18). A Final Written Decision in CBM2014-00190 is issued concurrently with this Decision.

implementing the stored code, the code comprising:

- code to read payment data from the data carrier and to forward the payment data to a payment validation system;

- code to receive payment validation data from the payment validation system;

- code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier;
- and

- code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1301, 26:41-67.

14. A method of providing data from a data supplier to a data carrier, the method comprising:

- reading payment data from the data carrier;

- forwarding the payment data to a payment validation system;

- retrieving data from the data supplier;

- writing the retrieved data into the data carrier;

- receiving at least one access rule from the data supplier; and

- writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved

data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5-20.

15. A method of providing data from a data supplier according to claim 14 further comprising:

receiving payment validation data from the payment validation system; and

transmitting at least a portion of the payment validation data to the data supplier.

Id. at 28:21-26.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁶ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278-79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

⁶ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 3 and 15 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 19-30. Petitioner submits a declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁷ in support of its petition. Ex. 1319.

According to Petitioner, claims 3 and 15 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 19-30. Smartflash argues that claims 3 and 15 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ — that of digital data piracy.” PO Resp. 17 (citation omitted). Specifically, Smartflash asserts that “the claims are directed to a particular device and method that can download and store digital content into a data carrier.” *Id.*

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, claim 3 recites

⁷ In its Response, Smartflash argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 8-15. Because Smartflash has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Smartflash’s argument as part of our analysis of the motion, discussed below.

a “machine” (“a data access terminal”), and claim 15 recites a “process” (“[a] method”), under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in

our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 3 and 15 are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 19; *see id.* at 20-23. Although Smartflash does not concede, in its Patent Owner Response, that claims 3 and 15 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 15-22 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Paper 41 (transcript of oral hearing), 6:13-16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) *id.* at 6:17-18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

We are persuaded that claims 3 and 15 are drawn to an abstract idea. Specifically, claims 3 and 15 are directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. Claim 3 recites “code . . . to receive at least one access rule . . . the at least

one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Independent claim 14, not at issue here, recites a similar limitation. Claim 15, depending from claim 14, further recites “receiving payment validation data . . . and transmitting at least a portion of the payment validation data to the data supplier.” Furthermore, as discussed above, the ’720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1301, 1:15-55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46-2:3. The ’720 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 3 and 15 are not limited to the Internet. Claim 3 recites “code” “to read payment data from the data carrier,” “forward the payment data to a payment validation system,” “receive payment validation data from the payment validation system,” “responsive to the payment validation data

to retrieve data from the data supplier and to write the retrieved data into the data carrier,” and

responsive to the payment validation data to receive at least one access rule . . . write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition . . . the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Claim 14, from which claim 15 depends, recites “reading payment data from the data carrier,” “forwarding the payment data to a payment validation system,” “retrieving data from the data supplier,” “writing the retrieved data into the data carrier,” “receiving at least one access rule from the data supplier,” “writing the at least one access rule into the data carrier,” and “writing the at least one access rule into the data carrier . . . specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the amount of payment associated with the payment data.” As noted above, claim 15 further adds “receiving . . . and transmitting at least a portion of the payment validation data to the data supplier.” The underlying concept of claims 3 and 15, particularly when viewed in light of the ’720 patent specification, is conditioning and controlling access to content based upon payment. This is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’720 patent specification and the claim language, that each of claims 3 and 15 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of

intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. See *Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenge claims are either field of use limitations or generic computer implementations, which Petitioner argues are insufficient to bring the claims within § 101 patent eligibility. Pet. 23-28. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known,

routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13-14. Petitioner persuades us that claims 3 and 15 of the ’720 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 3 and 15 are either field of use limitations or generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 23-28; Reply 4-6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 23 (citations omitted). Smartflash argues that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount[s] to significantly more than the underlying abstract idea.” PO Resp. 21 (citing Ex. 2049, 19:1-4). We agree with Petitioner for the following reasons.

The ’720 patent specification treats as well-known and conventional all potentially technical aspects of claims 3 and 15, including the recited “data access terminal” (preamble of claim 3), “data supplier,”

“data carrier,” and “payment validation system.” See Reply 11. For example, the specification states the recited “data access terminal may be a conventional computer,” that the terminal memory “can comprise any conventional storage device,” and that a “data access device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and communications bus.” Ex. 1301, 4:4-5, 16:46-50, 18:7-11. In addition, the specification notes that the “data carrier” may be a generic device such as a “standard smart card.” *Id.* at 11:36-39; *see also id.* at 14:38-42 (“Likewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142.”), Fig. 6. The specification further indicates that the “payment validation system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:12-17, 13:46-48 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”). Further, the claimed computer code in claim 3 performs generic computer functions, such as reading, forwarding, receiving, retrieving and writing. See Pet. 25-28; Reply 11. The recitation of these generic computer functions is insufficient to confer specificity. See *Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 3 and 15 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 21. Claims 3 and 15 do not require any particular or “distinct memories.” As noted above, the ’720 patent specification indicates that the required memories may be conventional types of memory. To the extent Smartflash contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claims 3 and 15 also require several generic and conventional data types, including “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” and “access rule.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’720

patent related to the way the recited data types are constructed or used. In fact, the '720 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claims 3 and 15 do not cover a “particular machine.” Pet. 30; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 3 and 15 do not transform an article into a different state or thing. Pet. 30.

Thus, we determine the potentially technical elements of claims 3 and 15 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR claim DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 3 and 15 are directed to statutory subject matter because the claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 17 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash avers that the claims are directed to “a particular device and method that can download and store digital content into a data carrier.” *Id.* at 17.

Petitioner responds that claims 3 and 15 are distinguishable from the claims in *DDR Holdings*. Reply 7-14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an adver-

tisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 3 and 15 are distinguishable from the claims at issue in *DDR Holdings*. See Reply 7-14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 3 and 15 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ — that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 17 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. See Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. See Ex. 1301, 5:4-7 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1319 ¶ 92); Ex. 1306, 1:67-2:9 (“It is an object of this invention to provide a means for selling and distributing protected software using standard telephone lines for transferring the software from the seller to the purchaser. Another object of this invention is to permit the purchaser to rent the protected software for a period of time after which it will self destruct. Another object of this invention is to permit the purchaser to rent the protected software for a specified number of runs”). Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on conditioning access to content based on payment

or rules. See Reply 9 (citing Ex. 1319 ¶¶ 33, 91-92; Ex. 1308, Abstract, 4:27-35).

Even accepting Smartflash's assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. See Reply 10-14. For example, claim 3 recites "code" to "read payment data," "receive payment validation data," "write the retrieved data into the data carrier," and "receive at least one access rule . . . write the at least one access rule." Similarly, claim 15 of the '720 patent requires "reading payment data," "forwarding the payment data," "retrieving data from the data supplier," "writing the retrieved data into the data carrier," "receiving at least one access rule from the data supplier," and "writing the at least one access rule into the data carrier." These limitations, and the other limitations of claims 3 and 15, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are "specified at a high level of generality," which the Federal Circuit has found to be "insufficient to supply an 'inventive concept.'" *Ultramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their "normal, expected manner." *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258-59).

The claims at issue in *Ultramercial*, like claims 3 and 15, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 3 and 15, the *Ultramercial* claims condition and control access based on viewing

an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 3 and 15 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as “reading payment data,” “forwarding the payment data,” “retrieving data from the data supplier,” “writing the retrieved data into the data carrier,” “receiving at least one access rule from the data supplier,” and “writing the at least one access rule into the data carrier” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 3 and 15 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 3 and 15 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’720 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 13 (quoting Ex. 1301, 5:25-29). Referring to this disclosure, Smartflash argues that “[b]y using a system that combines on the data carrier both the digital content and the at least one access rule, access con-

trol to the digital content can be enforced prior to access to the digital content.” *Id.* Thus, Smartflash concludes that:

[b]y comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD” and “there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.”

Id. at 13-14.

We are not persuaded by Smartflash’s arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was conventional. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was well-known and conventional, and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses

products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1315, Abstract, 10:24-30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 13-14) (emphasis added)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 29), “underl[ying] *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims do not result in “inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 22. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple

sources in order to solve a problem faced by [servers] on the Internet.” *Id.* (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’720 patent do not raise preemption concerns. *Id.* at 27-29.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Reply 16-17 (arguing that Smartflash’s position regarding non-infringement and

existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 3 and 15 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclu-

sion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash's Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims of the '720 patent, including claim 13, which depends from claim 3, and claim 15, under § 101 in its related district court litigation with Smartflash (PO Resp. 29-30); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the '720 patent (*id.* at 31); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 31-33); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 33-35). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Smartflash's reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark Trial and Appeal Board and the district court applied the "likelihood of confusion" standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *Id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash

preclude our determination of the patentability of claims 3 and 15 of the '720 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 3 and 15 of the '720 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 31; *see* Reply 22-23.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *4 (TTAB Apr. 2, 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 n.1 (TTAB June 18, 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” *Id.* at 33 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We

conclude that our review of the issue of § 101 here is proper.

4. *Conclusion*

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 3 and 15 of the '720 patent are unpatentable under § 101.

SMARTFLASH'S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 30), Petitioner filed an Opposition to Smartflash's Motion (Paper 32), and Smartflash filed a Reply in support of its motion (Paper 33). Smartflash's Motion to Exclude seeks to exclude Exhibit 1302-08, 1311-19, 1324-30, 1333, 1335, and 1336. Paper 30, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. See 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash's Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1302

Smartflash seeks to exclude Exhibit 1302—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 30, 1-3; Paper 33, 1-2. Specifically, Smartflash argues that Petitioner does not need to cite Smartflash's characterization of the '720 patent in the complaint because the '720 patent itself is in evidence. Paper 30, 1-2. Moreover, according to Smartflash, its characterization of the '720 patent is irrelevant and, even if relevant, cumulative to the '720 patent itself. *Id.* at 2-3.

Petitioner counters that it relies on Exhibit 1302 not as evidence of the content of the '720 patent, but to show that Smartflash's characterization of the '720 patent supports Petitioner's contention that the '720 patent is a covered business method patent. Paper 32, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '720 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash's characterization of the '720 patent in another proceeding is not in the '720 patent itself, and, therefore, Exhibit 1302 is not cumulative to the '720 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1302 is offered not for the truth of the matter asserted (i.e., the content of the '720 patent), but as evidence of how Smartflash has characterized the '720 patent. Thus, Smartflash has not persuaded us that Exhibit 1302 is evidence of the content of a writing or that it is cumulative to the '720 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1302 is irrelevant, at least because its characterization of the '720 patent in prior proceedings is relevant to the credibility of its characterization of the '720 patent in this proceeding. Smartflash contends that Exhibit 1302 does not contradict its characterization of the '720 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 30, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 32, 2), Smartflash's characterization of the '720 patent in prior proceedings is relevant to Smartflash's contention in

this proceeding that the '720 patent does not satisfy the “financial in nature” requirement for a covered business method patent review (Prelim. Resp. 5-10).

Accordingly, we decline to exclude Exhibit 1302.

*Exhibits 1305, 1324, 1329,
1330, 1333, 1335, and 1336*

Smartflash seeks to exclude Exhibits 1305, 1324, 1329, 1330, 1333, 1335, and 1336 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 30, 3-4; Paper 33, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 30, 4-5. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1305 and 1336 (*see* Paper 32, 4 n.2) were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 32, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash’s reference to FRE 703 is unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions

he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1324, 1329, 1330, 1333, and 1335. We grant the motion as to Exhibits 1305 and 1336.

*Exhibits 1303, 1304, 1306-1308,
1311-1318, and 1325-1328*⁸

Smartflash seeks to exclude Exhibits 1303, 1306-1308, 1311-1318, and 1325-1328 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 30, 5-8; Paper 33, 2-3.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, whether the challenged claim contains an inventive concept and whether the elements disclosed by the challenged claim were well-known, routine, and conventional. Paper 32, 4-6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 30, 6, 8. We are not persuaded by Smartflash's argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether

⁸ Although Smartflash's Motion lists Exhibit 1328 as an "Uncited Exhibit," Smartflash states in its Reply that Exhibit 1328 falls into the "Unasserted Exhibit" category. Paper 33, n.2.

the limitations of the challenged claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1303, 1304, 1306-1308, 1311-1318, and 1325-1328.

Exhibit 1319

Smartflash moves to exclude Exhibit 1319, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 30, 8-11; Paper 33, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 30, 8-9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." *Id.* at 10; Paper 33, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 32, 7 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence"

standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1319 in its entirety, we exclude paragraphs 26-83 and 84-112 from the declaration. Paper 30, 11-12.

Paragraphs 26-83 of the Wechselberger Declaration

Paragraphs 26-83 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 30, 11.

Petitioner counters that Mr. Wechselberger's expert analyses of the prior art is relevant to the § 101 inquiry under FRE 401; the level of skill of a skilled artisan is relevant to determining whether claim elements would be considered well-known, routine, and conventional; and claim construction is relevant because the determination of patent eligibil-

ity requires an understanding of the scope of the claimed subject matter. Paper 32, 8 (citations omitted).

We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 84-112 of the Wechselberger Declaration

Paragraphs 84-112 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 30, 11-12. Smartflash acknowledges that FRE 602 does not apply to expert witnesses, but argues that Mr. Wechselberger never states that he is an expert in the subject matter of the challenged claims. Paper 33, 3 n.3.

Petitioner counters that Smartflash's argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues; and FRE 602 does not apply to a witness's expert testimony. Paper 32, 9 (citations omitted).

We are not persuaded by Smartflash's arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1319 ¶¶ 2-12, App'x A. We are, therefore, not persuaded by Smartflash's argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. As Smartflash acknowledges, FRE 602 expressly recites that it "does not apply to a witness's expert testimony under Rule 703." Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1319 ¶¶ 91-94, 96-100), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1319 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 3 and 15 of the '720 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibits 1305 and 1336 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
and

GOOGLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00029¹
Patent 7,334,720 B2

[Entered August 23, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 28, 9-11.

INTRODUCTION

Apple Inc. (“Apple”) filed a Corrected Petition to reinstitute covered business method patent review of claims 3 and 13-15 of U.S. Patent No. 7,334,720 B2 (Ex. 1301, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 5 (“Pet.”). On May 28, 2015, we instituted a transitional covered business method patent review based upon Apple’s assertion that claims 3 and 15 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 11, 19. Subsequent to institution, Smartflash LLC (“Smartflash”) filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Pet. Reply”) to Patent Owner’s Response. We consolidated Google, Inc.’s (“Google”) challenge to claim 15 of the ’720 patent with this proceeding. Paper 28, 10; *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 11) (PTAB Nov. 16, 2015).

In our Final Decision, we determined that Petitioners Apple and Google had established, by a preponderance of the evidence, that claims 3 and 15 of the ’720 patent are unpatentable. Paper 43 (“Final Dec.”), 3, 33. Smartflash requests rehearing of the Final Decision. Paper 44 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 45 (“Notice”). Apple and Google filed a Response to Smartflash’s Notice. Paper 46 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

² Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 3 and 15 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 4-5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5-10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific

matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash’s arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 1, 16-22.” Request 7 n.3. Similarly, in Smartflash’s arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 15-27” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. See PO Resp. 21-22; see also *id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. See 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not

directed to an abstract idea (Req. Reh’g 10-12) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. See PO Resp. 15-22 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); see also Paper 41 (transcript of oral hearing), 6:13-16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”), *id.* at 6:17-18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. See, e.g., Req. Reh’g 7 (citing Final Dec. 14) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 14), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5-7, 10-15) were addressed at pages 11-21 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6-7) were addressed at pages 21-24 of our final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7-10) were addressed at pages 16-19 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the ’720 patent as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2-3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the '720 patent specification treats as well-known and conventional all potentially technical elements of claims 3 and 15, the claimed method steps perform generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 12-15; Notice Resp. 1-2. These limitations of claims 3 and 15 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 18. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information³ in the same place or on the same device is an age old practice.” Final Dec. 20. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* (citing Ex. 1315, Abstract, 10:24-30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

³ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2-3; Notice Resp. 2; PO Resp. 13; Final Decision 19-20.

84a

ORDER

Accordingly, it is:

ORDERED that Smartflash's Rehearing Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00190¹
Patent 7,334,720 B2

[Entered May 26, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00118 (U.S. Patent 7,334,720 B2) was consolidated with this proceeding. Paper 31, 6-7.

INTRODUCTION

A. Background

Petitioner, Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 13 and 14 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 4 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 7 (“Prelim. Resp.”). On April 2, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claims 13 and 14 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”³), and Samsung filed a Reply (Paper 30, “Reply”).

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute a covered business method patent review of the same claims of the ’720 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00118 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00118 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ We cite to the redacted Patent Owner response.

and consolidated the two proceedings.⁴ Paper 31; CBM2015-00118 (Paper 11).

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 13 and 14 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001, 1:6-10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the Internet without authorization. *Id.* at 1:15-41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46-62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62-2:3.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46-55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.*

⁴ For purposes of this decision, we will cite only to Samsung's Petition, and refer collectively to Samsung and Apple as “Petitioner.”

The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56-59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13-16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Challenged Claims

Petitioner challenges claims 13 and 14 of the '720 patent. Claim 13 depends from independent claim 3, which is not explicitly challenged in this proceeding, and claim 14 is independent. Claims 3, 13, and 14 recite the following.

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:

- a first interface for communicating with the data supplier;

- a data carrier interface for interfacing with the data carrier;

- a program store storing code; and

- a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

- code to read payment data from the data carrier and to forward the payment data to a payment validation system;

- code to receive payment validation data from the payment validation system;

- code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1001, 26:41-67.

13. A data access terminal according to claim 3 integrated with a mobile communication device, a personal computer, an audio/video player, and/or a cable or satellite television interface device.

Id. at 28:1-4.

14. A method of providing data from a data supplier to a data carrier, the method comprising:

reading payment data from the data carrier;

forwarding the payment data to a payment validation system;

retrieving data from the data supplier;

writing the retrieved data into the data carrier;

receiving at least one access rule from the data supplier; and

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5-20.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁵ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278-79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 13 and 14 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 22-37. According to Petitioner, claims 13 and 14 are directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D. (“Bloom Declaration”) in support of its Petition.⁶ Ex.

⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”).

⁶ In its Response, Smartflash argues that the Bloom Declaration should be given little or no weight. PO Resp. 3-6. Because

1003. Smartflash argues that claims 13 and 14 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy.” PO Resp. 13.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, claim 13 recites a “machine,” e.g., a “data access terminal,” and claim 14 recites a “process,” e.g., a “method of providing data” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue

Smartflash has filed a Motion to Exclude that includes a request to exclude Dr. Bloom’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Smartflash’s argument as part of our analysis of the motion to exclude, below.

are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information . . .” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 13 and 14 are directed to the abstract idea of “licensing/regulating access to copyrighted content.” Pet. 24. Although Smartflash does not concede, in its brief, that claims 13 and 14 are directed to an abstract idea, it does

not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 11-24; *see also* Paper 46 (transcript of oral hearing), 17:9-14 (Smartflash stating that “even if Patent Owner says nothing about [abstract idea], it is still the Petitioner’s burden to prove that the claims are directed to an abstract idea.”).

We are persuaded that claims 13 and 14 are drawn to an abstract idea. Specifically, claims 13 and 14 are directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 3, from which claim 13 depends, and claim 14 recite “the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Furthermore, as discussed above, the ’720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:15-55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46-2:3. The ’720 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on

supplier-defined access rules and validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 13 and 14 are not limited to the Internet. Claim 3, from which claim 13 depends, recites code to “read payment data from the data carrier,” “forward the payment data to a payment validation system,” “receive payment validation data from the payment validation system,” “retrieve data from the data supplier,” “write the retrieved data into the data carrier,” and

responsive to the payment validation data to receive at least one access rule . . . write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition . . . the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Claim 14, a method claim, recites similar limitations. The underlying concept of claims 13 and 14, particularly when viewed in light of the ’720 patent specification, is conditioning and controlling access to content based upon payment. This is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’720 patent specification and the claim language, that each of claims 13 and 14 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a

system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the ’720 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Reply 11 (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claims 13 and 14 of the ’720 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when

applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner's rationale that the additional elements of claims 13 and 14 are generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 24-31; Reply 11-21.

a. Technical Elements

Petitioner argues that claims 13 and 14 are unpatentable because these claims are directed to an abstract idea and any recited technical elements are repeatedly described by the '720 patent itself as "both 'conventional' and as being used 'in a conventional manner.'" Pet. 24 (citing Ex. 1001, 3:64-55, 16:63-65, 21:59-60). Smartflash disagrees, arguing that claims 13 and 14 are patentable because these claims "recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea." PO Resp. 17 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The '720 patent specification treats as well-known and conventional all potentially technical aspects of claims 13 and 14, including the "data access terminal" (recited in the preambles of claims 3 and 13), "data supplier," "data carrier," and "payment validation system." See Reply 13 (citing Ex. 1003 ¶ 24; Ex. 1001, 3:64-65, 16:62-65, 18:24-30). For example, as Petitioner contends, the specification states the recited "data access terminal may be a conventional computer," that the terminal memory "can comprise any conventional storage device," and that a "data access device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and

communications bus.” *Id.* (quoting Ex. 1001, 4:4-5, 16:46-50, 18:7-11). In addition, the specification notes that the “data carrier” may be a generic device such as a “standard smart card.” Ex. 1001, 11:36-39; *see also id.* at 14:38-42 (“Likewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142.”), Fig. 6. The specification further indicates that the “payment validation system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:12-17, 13:46-48 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”). Further, the claimed computer code in claim 13 and the method of claim 14 perform generic computer functions, such as reading, forwarding, receiving, retrieving and writing. *See* Pet. 24-30; Reply 14-16. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 13 and 14 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 20. Claims 13 and 14 do not recite any particular or “distinct memories.” To the extent Smartflash contends that the claimed “data carrier” is a “distinct memory,” as

noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” See *Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claims 13 and 14 also recite several generic and conventional data types including “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” and “access rule.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’720 patent related to the way the recited data types are constructed or used. In fact, the ’720 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claims 13 and 14 do not cover a “particular machine.” Pet. 33-35; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful

and important clue” for determining whether an invention is patent eligible). And claims 13 and 14 do not transform an article into a different state or thing. Pet. 36-37.

Thus, we determine the potentially technical elements of claims 13 and 14 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 13 and 14 are directed to statutory subject matter because the claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 13 (citing *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Smartflash contends that claims 13 and 14 are “directed to particular devices that can download and store digital content into a data carrier” and “[b]y using a system that combines on the data carrier both the digital content and payment data that can be forwarded to a payment validation system, and by responding to payment validation data when obtaining digital content, the claimed data access terminals enable digital content to be obtained effectively and legitimately.” *Id.* at 12-13. Smartflash further argues that because each of claims 13 and 14 “utilizes at least one access rule, also written to the data carrier,” “access control to the digital content can be enforced prior to access to the digital content and allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.” *Id.* at 13.

Petitioner responds that claims 13 and 14 are distinguishable from the claims in *DDR Holdings*. Reply 18-21. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an

abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 13 and 14 are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Smartflash’s argument that claims 13 and 14 are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 13 (quoting *DDR Holdings*, 773 F.3d at 1257). Data piracy exists in contexts other than the Internet. *See* Reply 17-18 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1001, 5:4-7 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). Further, whatever the problem, the solutions provided by claims 13 and 14 are not rooted in specific computer technology, but are based on conditioning and controlling access to content only when payment is validated. *See* Reply 15-16.

Even accepting Smartflash’s assertion that claims 13 and 14 address data piracy on the Internet (PO Resp. 13), we are not persuaded that the claims do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between claims 13 and 14 and the claims at issue in *DDR Holdings* are made clear by Smartflash in its table mapping claim 13 of the ’720 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 14-17. For example, Smartflash compares the limitation highlighted by the Federal

Circuit in *DDR Holdings* with 2 limitations recited by claim 13: “code responsive to the payment validation data . . . to write the retrieved data in the data carrier,” and “code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validations system.” PO Resp. 16-17. Smartflash, however, fails to identify how these limitations of claim 13, like the corresponding *DDR Holdings* limitation, do not “adher[e] to the routine, conventional functioning” of the technology being used. PO Resp. 13-24; *DDR Holdings*, 773 F.3d at 1258. Instead, unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of claim 13, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. The limitations of the challenged claims merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

The claims at issue in *Ultramercial*, like claims 13 and 14, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data based on payment, as in claims 13 and 14, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 13

and 14 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, and writing data to a data carrier does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 13 and 14 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 13 and 14 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’720 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 8 (quoting Ex. 1001, 5:25-29). Referring to this disclosure, Smartflash argues that “[b]y using a system that combines on the data carrier both the digital content and the at least one access rule, access control to the digital content can be enforced prior to access to the digital content.” *Id.* at 9. Thus, Smartflash concludes that “[b]y comparison, unlike a

system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD” and “there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.” *Id.*

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and conventional, and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both content and conditions for providing access to the content. *See, e.g.*, Pet. 42 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet. 66 (citing Ex. 1005, 18:9-16 (“Defining usage rights in terms of a language *in combination* with the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a

work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.” (emphasis added)). To the extent Smartflash argues that claims 13 and 14 cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times” (PO Resp. 9) (emphasis added)), we do not agree that this, by itself, is sufficient to elevate claims 13 and 14 to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that claims 13 and 14 recite an abstract idea that “preempts all effective uses of the abstract idea of licensing and regulating access to copyrighted content.” Pet. 31. Smartflash responds that claims 13 and 14 do not result in inappropriate preemption. PO Resp. 22-32. According to Smartflash, claims 13 and 14 do not attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 22 (quoting *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that claims 13 and 14 do not raise preemption concerns. *Id.* at 27-32.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Reply 21-24 (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claim is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional

limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 13 and 14 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Smartflash’s Remaining Arguments

Smartflash also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Smartflash (PO Resp. 34); and (2) the

Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 35).

Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Moreover, Smartflash does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issue to be raised in the present proceeding.” PO Resp. 35.

3. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 13 and 14 of the ’720 patent are unpatentable under § 101.

MOTIONS TO EXCLUDE

A. Petitioner’s Motion to Exclude

Petitioner seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Smartflash. Paper 37⁷, 3-4. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Petitioner’s Motion to Exclude is denied.

Petitioner seeks to exclude Dr. Bloom’s cross-examination testimony recorded in Exhibit 2056 at

⁷ We refer to the redacted “public” version of the Motion to Exclude.

179:1-20 and in Exhibit 2057 at 193:17-194:8 and 195:5-16 as (1) irrelevant under Federal Rules of Evidence (“FRE”) 401 and 402 (Paper 37, 4-6) and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7-8). Petitioner argues that this testimony, all directed to the workings of a product offered by Dr. Bloom’s employer, is “unrelated to the instant CBM proceeding” and “is of no consequence to the validity of the patent claims at issue.” *Id.* at 4. Petitioner adds that “Samsung, during its direct examination of Dr. Bloom, never opened [the] door to such questions.” *Id.* at 8.

We are not persuaded by Petitioner’s argument. Smartflash proffered this particular testimony not for purposes of showing validity of the patent claim at issue, but for purposes of challenging the credibility of Petitioner’s expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding an issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Petitioner seeks to exclude the excerpts of testimony from Exhibit 2057 (193:17-194:8 and 195:5-16) as lacking proper foundation under FRE 701 and 702. *Id.* at 6-7. Petitioner argues that in these excerpts, Smartflash attempted to solicit testimonies from Dr. Bloom regarding a particular product and that Smartflash “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6 (quoting PO Resp. 6). According to Petitioner, because “Dr. Bloom *has not* been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge

of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6-7.

We also are not persuaded by this argument. Petitioner does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Petitioner, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

B. Smartflash’s Motion to Exclude

Smartflash seeks to exclude Exhibits 1003, 1004, 1005, 1006, and 1028. Paper 33, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *denied*.

1. Exhibit 1003

Smartflash seeks to exclude the entirety of Dr. Bloom’s testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 33, 1-10. First, Smartflash seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Smartflash, this is because Dr. Bloom’s Declaration “does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions.” *Id.* Smartflash also seeks to exclude this

testimony under FRE 702 because “the Board cannot assess under FRE 702 whether Dr. Bloom’s opinion testimony is ‘based on sufficient facts or data,’ is ‘the product of reliable principles and methods,’ or if Dr. Bloom ‘reliably applied the principles and methods to the facts of the case.’” *Id.* at 3-4.

Petitioner counters that consistent with the requirements of 37 C.F.R. §§ 42.64(a) and 42.65, “Dr. Bloom’s testimony disclosed underlying facts and data on which his opinions were based.” Paper 39, 4. Petitioner also argues that experts are not required to recite the “preponderance of the evidence” standard expressly. *Id.* at 3-4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Smartflash did not rely on FRE 702 to object to Dr. Bloom’s Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Smartflash had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4-5.

We are not persuaded by Smartflash’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15-17. He also has decades of experience in relevant technologies. *Id.* at ¶¶ 5-14. We are, therefore, not persuaded by Smartflash’s argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Smartflash also seeks to exclude paragraphs 23-112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 33, 5-6. Because these paragraphs also support Petitioner's assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Smartflash also seeks to exclude paragraphs 23-26 and 113-128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. *Id.* at 6. According to Smartflash, these paragraphs "relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert" and should be excluded under FRE 401 and 402 as not relevant, under FRE 602 as lacking foundation, and FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. *Id.* Because these paragraphs relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. As discussed above, Smartflash has not persuaded us that Dr. Bloom provides insufficient factual basis for his opinions, and thus, we are not persuaded that these paragraphs should be excluded under FRE 602. We also are persuaded that Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 115. Thus, we are not persuaded that these paragraphs should be excluded under FRE 702 and

702. Accordingly, we decline to exclude these paragraphs.

Smartflash also seeks to exclude paragraphs 129-137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. Paper 33, 7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Smartflash also seeks to exclude paragraphs 102-107, 122, 123, 125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. Paper 33, 7-9. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 39, 9-11 (citing Ex. 1043). Smartflash does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 42, 4-5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Smartflash does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802. We also decline to exclude these paragraphs as irrelevant under FRE 401 and

402 because they relate to the underlying factual issues related to patent eligibility.

2. Exhibits 1004-1006

Smartflash seeks to exclude Exhibits 1004-1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 33, 10-11.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content’” and, thus, are relevant to the question of patent eligibility. Paper 39, 11-12.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. Exhibit 1028

Smartflash seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom Declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 33, 11-12. According to Smartflash, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the ’720 patent. *Id.*

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’720 Patent mimics such payment operations” and is, therefore, not irrelevant. Paper 39, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402.

We also decline to exclude Exhibit 1028 on authenticity grounds under FRE 901 (Paper 33, 12) because Petitioner submits a librarian declaration attesting to the authenticity of the downloaded copy (Paper 39, 12).

Accordingly, we decline to exclude Exhibit 1028.

ORDER

Accordingly, it is:

ORDERED that claims 13 and 14 of the '720 patent are determined to be *unpatentable*;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*;

FURTHER ORDERED that Smartflash's motion to exclude is *denied*; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00190¹
Patent 7,334,720 B2

[Entered September 28, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00118 (U.S. Patent 7,334,720 B2) was consolidated with this proceeding. Paper 31, 6-7.

INTRODUCTION

A. Background

Petitioners, Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 13 and 14 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 4 (“Pet.”). On April 2, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claims 13 and 14 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18. Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”), and Samsung filed a Reply (Paper 30, “Pet. Reply”) to Patent Owner’s Response. We consolidated Apple Inc.’s (“Apple”) challenge to claims 13 and 14 of the ’720 patent with this proceeding. Paper 31; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00118 (Paper 11) (PTAB Aug. 6, 2015).

In our Final Decision, we determined that Petitioners had established, by a preponderance of the evidence, that claims 13 and 14 of the ’720 patent are unpatentable. Paper 47 (“Final Dec.”), 3, 30. Smartflash requests rehearing of the Final Decision. Paper 49 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 50

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

(“Notice”). Petitioners filed a Response to Smartflash’s Notice. Paper 51 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 13 and 14 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5-10) and *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked,

and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. § 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash’s arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 11-20.” Request 7 n.3. Similarly, in Smartflash’s arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 11-33.” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. See PO Resp. 17, 20” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally,

and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 11-13) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. *See* PO Resp. 11-24; *see also* Paper 46 (transcript of oral hearing), 17:9-14 (Smartflash stating that “even if Patent Owner says nothing about [abstract idea], it is still the Petitioner’s burden to prove that the claims are directed to an abstract idea.”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 7 (citing Final Dec. 16) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 16), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”).

For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5-7, 11-15) were addressed at pages 10-20 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6-7) were addressed at pages 20-22 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 6-10) were addressed at pages 14-18 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the ’720 patent as an example,⁴ Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2-3. According to Smartflash, the “specific

⁴ We note that claim 13 depends from claim 3.

arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Decision and Petitioners argue, the ’720 patent specification treats as well-known and conventional all potentially technical elements of claims 13 and 14, the claimed code limitations perform generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 12-13; Notice Resp. 1-2. These limitations of claims 13 and 14 do not “achiev[e] a result that overrides the routine and conventional use of the recited devices and functions.” Final Dec. 16-17. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351. Also, “[t]he concept of storing two different types of information⁵ in the same place or on the same device is an age old practice.” Final Dec. 19. For example,

the prior art discloses products that could store both content and conditions for providing access to the content. *See, e.g.*, Pet. 42 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet 66 (citing Ex. 1005, 18:9-16 (“Defining usage rights in terms of a language *in combination with* the hierarchical representation of a digital work enables the

⁵ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2-3; Notice Resp. 2; Final Decision 18-19.

support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.” (emphasis added))).

Id. at 19-20.

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00127
Patent 7,334,720 B2

[Entered November 7, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 4-12 and 16-18 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”). On November 10, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 4-12 and 16-18 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 25.²

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 29 (“Notice Resp.”).

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 30 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 4-12

¹ Pub. L. No. 112–29, 125 Stat. 284, 296–07 (2011).

² Although Patent Owner argues that claim 17 is not indefinite, we did not institute a review of claim 17 on that basis. Inst. Dec. 25.

and 16-18 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters

The '720 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.), and; *Smartflash LLC v. Amazon. Com, Inc.*, Case No. 6:14-cv-992 (E.D. Tex.). Pet. 2, 35-36; Paper 4, 4-5.

We have issued three previous Final Written Decisions in reviews challenging the '720 patent. In CBM2015-00028³, we found claims 1 and 2 of the '720 to be unpatentable. *Apple Inc. et. al v. Smartflash LLC*, Case CBM2015-00028 (PTAB May 26, 2016) (Paper 44). In CBM2015-00029⁴, we found claims 3 and 15 of the '720 to be unpatentable. *Apple Inc. et. al v. Smartflash LLC*, Case CBM2015-00029 (PTAB May 26, 2016) (Paper 43). In CBM2014-00190⁵, we found claims 13 and 14 of the '720 to be unpatentable. *Samsung Electronics America, Inc. et. al v. Smartflash LLC*, Case CBM2014-00190 (May 26, 2016) (Paper 47).

C. The '720 Patent

³ The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. CBM2015-00028, Paper 29, 9-11.

⁴ The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. CBM2015-00029, Paper 28, 9-11.

⁵ CBM2015-00118 (U.S. Patent 7,334,720 B2) was consolidated with this proceeding. CBM2014-00190, Paper 31, 6-7.

The '720 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:6-10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the Internet without authorization. *Id.* at 1:15-41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46-62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62-2:3.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46-55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56-59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13-16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Challenged Claims

The claims under review are claims 4-12 and 16-18 of the '720 patent. Inst. Dec. 25. Of the challenged claims, claims 4-12 depend, directly or indirectly, from independent claim 3 (held unpatentable under

§ 101 in CBM2015-00029). Claims 16-18 depend, directly or indirectly, from independent claim 14 (held unpatentable under § 101 in CBM2014-00190). Claims 3 and 14 are illustrative of the claimed subject matter and recite the following:

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:

- a first interface for communicating with the data supplier;

- a data carrier interface for interfacing with the data carrier;

- a program store storing code; and

- a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

- code to read payment data from the data carrier and to forward the payment data to a payment validation system;

- code to receive payment validation data from the payment validation system;

- code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and

- code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1001, 26:41-67.

14. A method of providing data from a data supplier to a data carrier, the method comprising:

- reading payment data from the data carrier;
- forwarding the payment data to a payment validation system;
- retrieving data from the data supplier;
- writing the retrieved data into the data carrier;
- receiving at least one access rule from the data supplier; and
- writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5-20.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '720 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 4-12 and 16-18 as directed to patent-ineligible subject matter under 35

U.S.C. § 101. Pet. 43-73. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Dr. John P. J. Kelly in support of its Petition.⁶ Ex. 1019. Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy.” PO Resp. 1-2 (citation omitted).

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “data access terminal” (claims 4-12) or a “process,” i.e., a “method” (claims 16-18), under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and

⁶ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 5-16. Because Patent Owner has filed a Motion to Exclude (Paper 24) that includes a request to exclude Dr. Kelly’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion to exclude, below.

brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-55 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the

Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “payment for and controlling access to data.” Pet. 43. Specifically, Petitioner contends that “the challenged claims are drawn to the concepts of payment and controlling access using rules in that they recite steps to and ‘code to,’ e.g., read payment data, receive payment validation data, retrieve and write data in response to payment validation data, and receive and write access rules in response to payment validation data.” *Id.* at 46-47.

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to content. For example, claim 3 (from which challenged claims 4-12 depend) recites “code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier.” Claim 14 (from which challenged claims 16-18 depend) recites “writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.”

As discussed above, the ’720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:26-41.

The '720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46-1:59. The '720 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:60-2:3.

Although the specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that claims 4-12 and 16-18 are directed to “machines or processes,” and “are not directed to an abstract idea.” PO Resp. 1. Specifically, Patent Owner argues that claims 4-12 cover “a data access terminal comprised of real-world, specialized physical components” (*id.* at 24) and claims 16-18 “are directed to real-world useful processes (*id.* at 25). Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to “machines with specialized physical components” or “real-world useful processes.” *Id.* at 24-25. As Petitioner correctly points out (Pet. Reply 2-3), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But

if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility “depend simply on the draftsman’s art,” . . . thereby eviscerating the rule that “. . . abstract ideas are not patentable.”

Alice Corp., 134 S. Ct. at 2358-59 (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp. 21-21. These decisions are nonprecedential and distinguishable. In CBM2015-00113, the panel’s determination turned on a step requiring “correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier” and on the Petitioner’s formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113 (PTAB Oct. 19, 2015) (Paper 7, 13).

Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because they “each of the instituted claims requires retrieval or forwarding of data responsive to or correlated with some other data (e.g., payment validation data or payment data).” PO Resp. 22. As the panel in CBM2015-00113 explained, however, the claims at issue there required “particular types of searching processes”—i.e., “a non-exhaustive, near neighbor search”—that are different than the abstract idea alleged by Petitioner in that proceeding. CBM2015-

00113, Paper 7, 12-13. In this case, none of the challenged claims recite a *specific* search process by which retrieval or forwarding of data is correlated with some other data. For example, claim 3 recites “code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data into the data carrier.” Claim 14 recites “writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier.” With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 23-24. The panel’s determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147 (PTAB Nov. 30, 2015) (Paper 14, 14) (“As in *DDR*, we are persuaded that, however the abstract idea is characterized, the ’854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner’s Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are “‘directed to an improvement to computer functionality.’” Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are “‘directed to specific organization of data and defined sequences of transaction steps with distinct advantages over alternatives’” (*id.* at 2) and, therefore, “‘like those in *Enfish*, ‘are directed to a *specific implementation of a solution to a problem*,’ in Internet digital commerce” (*id.*

at 3) (emphasis added by Patent Owner). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they “merely implement an old practice in a new environment.” *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), “‘perform[] generic computer functions such as storing, receiving, and extracting data’ using ‘physical components’” that “‘behave exactly as expected according to their ordinary use’ and ‘merely provide a generic environment in which to carry out the abstract idea’ of controlling access to content based on payment and/or rules.” Notice Resp. 2-3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612-15). The limitations of the challenged claims—e.g., “code to read,” “code to receive,” “code to retrieve,” “code to write,” “reading,” “forwarding,” “retrieving,” and “writing”—are so general that they do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the specification and the language of the challenged claims, that claims 4-12 and 16-18 of the ’720 patent are directed

to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept.” Pet. Reply 6. We are persuaded that claims 4-12 and 16-18 of the ’720 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a

patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 52-73.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity.’” Pet. 52 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 37 (quoting Ex. 2049, 19) (emphasis omitted). We agree with Petitioner for the following reasons.

The ’720 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, data carrier, program store, and processor). *See* Pet. Reply 6-7, 15 (citing Ex. 1001, 3:64-4:2, 11:36-38, 12:38-41, 13:46-49, 16:47-67, 18:24-30). With respect to the recited “data carrier” and “payment validation system” in claims 3 and 14, for example, the Specification notes that the data carrier may be a generic, known, hardware device such as a

“standard smart card,” and that “[t]he payment validation system may be part of the data supplier’s computer systems or it may be a separate e-payment system.” See Ex. 1001, 8:22-25, 8:64-66, 11:36-39, 13:46-58. Moreover, on this record, Patent Owner has not argued persuasively that any of the other potentially technical additions to the claims performs a function that is anything other than “purely conventional.” *Alice*, 134 S. Ct. at 2359. The use of a data carrier and the linkage of existing hardware devices appear to be “‘well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1294.

Further, “[t]he challenged claims’ ‘code to’ and other functional limitations simply instruct that the abstract ideas of payment for and controlling access to data should be implemented in software.” Pet. 56. The claimed computer code performs generic computer functions, e.g., code to receive/retrieve/write data (claim 3); “reading,” “forwarding,” “retrieving,” “writing,” “receiving,” and “transmitting” (claim 14). See Pet. 56-59. The recitation of these generic computer functions is insufficient to confer specificity. See *Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 4-12 and 16-18 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. See PO Resp. 37 (quoting Ex. 2049, 19) (emphasis omitted). The challenged claims gener-

ically recite several memories, including “a program store” and “data carrier,” and generically recite several data types, including “code,” “payment data,” “payment validation data,” “data,” and “access rule.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’720 patent related to the way these memories or data types are constructed or used. In fact, the ’720 patent simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10-11 (“The claims thus do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the

challenged claims do not cover a “particular machine.” Pet. 73; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. *Id.*

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1-2, 30 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content. By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific

number of times (e.g., three times) or determine that the DVD had only been partially used.

Id. at 19.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 13-16. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over "the 'brick and mortar' context" because "[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party." *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify "how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but still is able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites "using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page." *Id.* at

1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”—that of “data content piracy”—(PO Resp. 1-2), and address the “technological problems created by the nature of digital content and the Internet” (*id.* at 29). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 13-14 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts of compact discs and DVDs. *Id.* (citing e.g., Ex. 1019 ¶¶ 48-49, 52, 76); Ex. 1001, 5:4-7 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1041. Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Pet. Reply 14-16. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on the abstract idea of controlling access to content by conditioning access on a rule/payment. *See* Pet.

Reply 16 (citing *Ultramercial*, 772 F.3d at 712); *id.* at 14 (citing Ex. 1019 ¶¶ 48-52, 76).

Even accepting Patent Owner's assertion that the challenged claims address data piracy on the Internet (PO Resp. 2), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '720 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 3 of the '720 patent recites "code responsive to the payment validation data to retrieve data from the data supplier," and "code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier." Claim 14 recites "writing the retrieved data into the data carrier," "receiving at least one access rule from the data supplier," and "writing the at least one access rule into the data carrier." There is no language in these claims, in any of the other challenged claims, or in the specification of the '720 patent, that demonstrates that the generic computer components—"code" "to receive" and "to retrieve," and "to write," (claim 3) and "reading, forwarding, retrieving," and "writing" (claim 14)—function in an unconventional manner or employ sufficiently specific programming. Instead, the "code" limitations of claim 3, for example, like all the other limitations of the challenged claims, are "specified at a high level of generality," which the Federal Circuit has found to be "insufficient to supply an inventive concept." *Ultramercial, Inc.*, 772 F.3d at 716. These limitations merely rely on conventional devices and computer

processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on an access rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “processor,” “data carrier,” “program store,” and “payment validation system,” and routine additional steps such as reading payment data, forwarding the payment data, receiving payment validation data, and writing into the data carrier does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T*

Mobility, LLC., 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “arranged in a non-conventional and non-generic way,” namely by requiring “a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing technological process.’” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “‘the performance of the computer system itself.’” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351). The concept of storing two different types of information in the same place or on the same device

is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 12 (citing Ex. 1015); Ex. 1015, 10:24-28 (describing a “rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 31 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’720 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 18-19 (quoting Ex. 1001, 5:25-29). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* at 19. Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.

Id. at 19.

As Petitioner notes, the concept of continuously enforced access control to digital content is not recited in the challenged claims. Pet. Reply 8 n.3. We additionally note that none of the challenged claims recite “partially used.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—digital content and use rules/use status data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content, as discussed above. To the extent Patent Owner argues that the challenged claims cover storing, on the same device,

both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 17-18)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 71. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 46-53. According to Patent Owner, the challenged claims do not result in inappropriate preemption “because they contain elements not required to practice the abstract idea.” *Id.* at 38; *see also id.* at 53 (“the [challenged] claims do not tie up or prevent the use of the purported abstract idea . . . because there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what it claimed”). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 43-46. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 48.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct.

at 2358. The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 18-20 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an

ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (the “co-pending litigation”) with Patent Owner (PO Resp. 53-54); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 54); (3) invalidating patent claims via Covered Business

Method patent review is unconstitutional (*id.* at 55-57); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 57-59). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the instituted claims [of the ’720 Patent] are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 54.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705, 1770 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jillian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014);

but see American Express Co. v. Lunenfeld, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 57 n.2 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

g. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that the challenged claims of the ’720 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 24, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 25, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 27). Patent Owner seeks to exclude Exhibits 1002-1008, 1011-1019, 1025-1028, 1036-1045.⁷ Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

⁷ Patent Owner lists Exhibit 1005 (Mot. 1, 12), but does not provide any argument with respect to it.

1. *Exhibit 1002 and 1045*

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit 1045—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-4; Paper 29, 1-2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’720 patent in the complaint because the ’720 patent itself is in evidence. Mot. 4. Moreover, according to Patent Owner, its characterization of the ’720 patent is irrelevant and, even if relevant, cumulative to the ’720 patent itself. *Id.* at 2-4.

We are persuaded that Exhibits 1002 and 1045 are offered not for the truth of the matter asserted (i.e., the content of the ’720 patent), but as evidence of how Patent Owner has characterized the ’720 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002 and 1045 are evidence of the content of a writing or that it is cumulative to the ’720 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1045 are irrelevant, at least because its characterization of the ’720 patent in prior proceedings is relevant to the credibility of its characterization of the ’720 patent in this proceeding. Patent Owner contends that Exhibits 1002 and 1045 do not contradict its characterization of the ’720 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of

admissibility. As Petitioner notes (Opp. 2), Patent Owner's characterization of the '720 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '720 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (PO Resp. 60–65; Prelim. Resp. 38-43).

Accordingly, we decline to exclude Exhibits 1002 and 1038.

2. Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1028, 1036-1039, and 1041-1044

Patent Owner seeks to exclude Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1028, 1036-1039, and 1041-1044 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 4-7; Paper 27, 2-3.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 4-5. Petitioner further contends that the Petition and Kelly Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 5.

Patent Owner argues that whether limitations of the challenged claims were well-known, routine, and conventional is only relevant after finding that a claim is directed to an abstract idea, which is not necessary in this case because the claims are not directed to an abstract idea. Mot. 6-7. Petitioner argues that "[i]t would be nonsensical to exclude the Prior Art Exhibits before the Board determines whether it needs to perform the second step of the

Mayo analysis, as PO urges” (Opp. 6), and that the claims are directed to an abstract idea (*id.* at 6–8).

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, Dr. Kelly attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 1019 ¶ 9) and many of these exhibits are cited in the Petition’s discussion of the § 101 challenge (*see, e.g.*, Pet. 47-48 (citing Exs. 1003, 1004, 1007, 1013, 1014, 1019, 1027, 1040, 1041)). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1028, 1036-1039, and 1041-1044.

3. *Exhibit 1019*

Patent Owner moves to exclude Exhibit 1019, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 7-12; Paper 29, 3-4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because Dr. Kelly (1) does not employ scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable

and reliable; (3) could not define an abstract idea; (4) looked for an inventive concept over the prior art rather than over the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 7-12; Paper 27, 3-4. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 27, 3.

Petitioner argues that (1) Dr. Kelly's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues; (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 8-12 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly's Declaration. Because Exhibit 1019 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the princi-

ples and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1019 in its entirety or any paragraph therein.

4. *Exhibit 1040*

Patent Owner moves to exclude Exhibit 1040, the April 8–9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner’s expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, on the grounds that it is irrelevant hearsay. Mot. 12; Paper 29, 4. Petitioner argues that this testimony is not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if it is hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12-14. Patent Owner argues that Dr. Katz’s admissions as to what was in the prior art are irrelevant to a § 101 analysis because “[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional.” Paper 27, 4.

We agree with Petitioner that Dr. Katz’s testimony is not hearsay because it was offered against an opposing party, is testimony that Patent Owner adopted or believed to be true, and was provided by a person, Dr. Katz, whom Patent Owner authorized to provide testimony on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 4-12 and 16-18 of the ’720 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner’s motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00127
Patent 7,334,720 B2

[Entered January 27, 2017]

Before JENNIFER S. BISK, RAMA G. ELLURU,
and JEREMY M. PLENZLER, *Administrative Patent
Judges.*

ELLURU, *Administrative Patent Judge.*

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

INTRODUCTION

Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 4-12 and 16-18 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ On November 10, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 4-12 and 16-18 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 25. Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response. Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 29 (“Notice Resp.”).

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 4-12 and 16-18 of the ’720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 31 (“Final Dec.”), 2-3, 34. Patent Owner requests rehearing of the Final Decision with respect to patent ineligibility of the challenged claims under § 101. Paper 32 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e).

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that the challenged claims are directed to patent-ineligible subject matter. Req. Reh'g 3.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*², *Enfish*³, and *Bascom*⁴. *Id.* at 4-10. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or over-

² *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

³ *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

⁴ *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

looked. Although Patent Owner repeatedly states that the Board “misapprehends” Smartflash’s argument (*see, e.g.*, Req. Reh’g 5, 10), it does not offer sufficient explanation as to how we misapprehended or overlooked any particular “matter [that] was previously addressed in a motion, an opposition, or a reply.” Rather than providing a proper request for rehearing, addressing particular matters that we previously allegedly misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made.

To the extent portions of the Request are supported by Patent Owner’s argument in the Patent Owner Response or in Patent Owner’s Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 5, 7, 9 (noting that the Board “rejected” Smartflash’s argument with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). Our Final Decision, as noted above, addresses Patent Owner’s arguments related to *DDR Holdings* (Final Dec. 17-21), *Enfish* (*id.* at 12-13), and *Bascom* (*id.* at 21-23). Patent Owner’s Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the challenged claims and those addressed in *McRO*⁵ and *Amdocs*⁶, which were issued after Patent Owner’s Notice was filed. Req. Reh’g 11-15. Patent Owner alleges that we overlooked the Federal Circuit’s decisions in *McRO*

⁵ *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

⁶ *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11-13), and concluding that

[b]ecause the challenged claims are a technological improvement over the then-existing systems and methods, and limit transfer and retrieval of content data based on payment and/or access rules in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13 (citing Ex. 1001, 26:59-67 (claims 4-12), 28:12-19 (claims 16-18)). But *McRO* does not stand for the general proposition that use of rules or conditions, such as payment, to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that “the claimed improvement [was] allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human animators.” *Id.* at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective* process performed by human artists into a mathematically *automated* process executed on computers (i.e., the processes were fundamentally different). *Id.* at 1314. The Court explained that “it [was] the incorporation of the claimed rules, not the use of the computer,

that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations “where the claimed computer-automated process and the prior method were carried out in the same way.” *Id.* (citing *Parker v. Flook*, 437 U.S. 584, 585-86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims “merely implement an old practice in a new environment.” Final Dec. 12 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue in *McRO*. *FairWarning*, 839 F.3d at 1094-95. In *FairWarning*, the Court explained that “[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries” and that it is the “incorporation of a computer, *not* the claimed rule, that purportedly ‘improve[s] [the] existing technological process.’” *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the “payment validation data” and “access rule” in claim 4, via its dependency from claim 3, for example, is merely a condition for “determin[ing] what access is permitted to data stored on the data carrier,” that the ’720 patent explains “will normally be dependent upon payments made for data stored on the data carrier” (i.e., allowing access when the data has been purchased). Ex. 1001, 9:21-25.

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that “the chal-

lenged claims of the '720 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use[] an unconventional technological approach.” Req. Reh’g 14-15 (citing PO Resp. 17, 36-37)⁷. We disagree.

In *Amdocs*, the Court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* The Court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases).” *Id.* The Court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300-1301. When determining that the claim was patent-eligible, the Court explained that the “enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem.” *Id.* at 1301. The Court distinguished the claim from the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that the “enhancing limitation . . . necessarily incorporates

⁷ This is the only instance where one of Patent Owner’s papers is cited in the Request with respect to arguments directed to *Amdocs*.

the invention’s distributed architecture—an architecture providing a technological solution to a technological problem,” which “provides the requisite ‘something more’ than the performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, “[t]he ’720 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components.” Final Dec. 15. Unlike the generic components at issue in *Amdocs*, the generic components recited in claims 4-12 and 16-18 of the ’720 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See id.* at 17-21. The challenged claims of the ’720 patent simply recite generic memories, data types, processors, and “code to” perform well-known functions with no description of the underlying implementation or programming. *See id.* at 14-17.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00124
Patent 7,942,317 B2

[Entered November 7, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ELLURU, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 1-17 and 19 of U.S. Patent No. 7,942,317 B2 (Ex. 1001, “the ’317 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”). On November 10, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 2-5, 9-11, 14, 15, 17, and 19 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101 and claim 19 as being indefinite under 35 U.S.C. § 112, second paragraph. Inst. Dec. 25. Because a final written decision determining that claims 1, 6-8, 12, 13, and 16 of the ’317 patent are unpatentable under § 103 had already issued in CBM2014-00112, we declined to institute a review of claims 1, 6-8, 12, 13, and 16 in this proceeding. *Id.* at 6-7.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 29 (“Notice Resp.”).

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 30 (“Tr.”).

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 2-5, 9-11, 14, 15, 17, and 19 of the '317 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. We also determine that claim 19 is indefinite under 35 U.S.C. § 112.

B. Related Matters

The parties indicate that the '317 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co. Ltd.*, Case No. 6:13-cv-448 (E.D. Tex.); and *Smartflash LLC v. Amazon.Com, Inc.*, Case No. 6:14-cv-992 (E.D. Tex.). Pet. 2, 32-33; Paper 4, 4-5.

We have issued a previous Final Written Decision in a review challenging the '317 patent. In CBM2014-00112,² we found claims 1, 6-8, 12, 13, 16, and 18 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00112, (PTAB Sept. 25, 2015) (Paper 48, 29). In CBM2015-00018, we terminated review of claim 18 before issuing a Final Written Decision. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00018, (PTAB March 18, 2016) (Paper 46, 2-3). In CBM2015-00129, we terminated review of claims 7 and 12 before issuing a Final Written Decision.

² Case CBM2014-00113 was consolidated with the CBM2014-00112 proceeding.

Google Inc. v. Smartflash LLC, Case CBM2015-00129 (PTAB April 26, 2016) (Paper 25, 2-3).

C. The '317 Patent

The '317 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:18-23. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:38-51. The '317 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:55-2:3. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:3-11.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:55-63. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:64-67. The '317 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:49-52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Challenged Claims

The claims under review are claims 2-5, 9-11, 14, 15, 17, and 19 of the '317 patent. Inst. Dec. 25. Of

the challenged claims, claims 17 and 19 are independent. Claims 2-5 depend, directly or indirectly, from independent claim 1 (not a part of this review). Claims 9-11 depend, directly or indirectly, from independent claim 8 (not a part of this review). Claims 14 and 15 depend, directly or indirectly, from independent claim 12 (not a part of this review). Independent claims 17 and 19 are illustrative and recite the following:

17. A computer system for providing data to a data requester, the system comprising:

- a communication interface;

- a data access data store for storing records of data items available from the system, each record comprising a data item description and location data identifying an electronic address for a provider for the data item;

- a program store storing code implementable by a processor;

- a processor coupled to the communications interface, to the data access data store, and to the program store for implementing the stored code, the code comprising:

- code to receive a request for a data item from the requester;

- code to receive from the communications interface payment data comprising data relating to payment for the requested data item;

- code responsive to the request and to the received payment data to output the item data to the requester over the communication interface;

wherein

said data access data store further comprises data item access rule data for output to the requester with a said data item; and

further comprising code to select access rule data for output with a data item in response to said payment data.

19. A method of providing data to a data requester comprising:

receiving a request for a data item from the requester;

receiving payment data from the requester relating to payment for the requested data;

transmitting the requested data to the requester; and

transmitting data access rule data to requester with the read data.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '317 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 2-5, 9-11, 14, 15, 17, and 19 as directed to patent-ineligible subject matter

under 35 U.S.C. § 101. Pet. 38-73. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Dr. John P. J. Kelly in support of its Petition.³ Ex. 1017. Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy on the Internet.” PO Resp. 2 (citation omitted).

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “computer system” (claims 2-5, 17), a “data access system” (claims 14 and 15), or a “process,” i.e., a “method” (claims 9-11, 19), under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular*

³ In its Response, Patent Owner argues that Dr. Kelly’s declaration should be given little or no weight. PO Resp. 5-16. Because Patent Owner has filed a Motion to Exclude (Paper 24) that includes a request to exclude Dr. Kelly’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion to exclude, below.

Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-55 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based

pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “payment for and controlling access to data.” Pet. 38. Specifically, Petitioner contends that the challenged claims are “drawn to the concept of payment for data, reciting steps and ‘code to,’ *e.g.*, transmit or forward data after payment” and that every challenged claims expressly recites “payment.” *Id.* at 42.

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 17 recites “code responsive to the request and to the received payment data to output the item data to the requester” and “code to select access rule data for output with a data item in response to said payment data.” Claim 19 recites “receiving payment data from the requester relating to payment for the requested data.”

As discussed above, the ’317 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:27-51. The ’317 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:4-22. The ’317 patent makes clear that the heart of the claimed subject matter is restricting access to

stored data based on supplier-defined access rules and payment data. *Id.* at 1:55-2:11, Abstract.

Although the specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the specification, is paying for and/or controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that the challenged claims are not directed to an abstract idea. Patent Owner asserts that claims 2-5, 14, 15, and 17 are “*patent eligible*” because they are directed to real-world computer systems and data access systems that are machines with specialized physical components that allow a data item to be transmitted after payment data is received and/or validated.” PO Resp. 25. Specifically, Patent Owner argues that claims 2-5 and 17 are directed to “machines comprised of various structural components – a computer system with specifically defined elements” (*id.* at 20), and that claims 14 and 15 are “directed to a data access system, which is a machine” (*id.* at 21). Patent Owner further contends that claims 9-11 and 19 are “*patent eligible*” because they are directed to real-world useful processes for the purchase and transmission of data with data access rules data to allow for authorized use of the data.” *Id.* at 25. Specifically, Patent Owner contends that these claims are “directed to processes (methods) with specifically defined elements as steps.” *Id.* at 22. Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as

long as it is directed to “machines with specialized physical components” or “real-world useful processes.” PO Resp. 25. As Petitioner correctly points out (Pet. Reply 2-3), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility “depend simply on the draftman’s art,” . . . thereby eviscerating the rule that “. . . abstract ideas are not patentable.”

Alice, 134 S. Ct. at 2358-59 (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp. 22-23. These decisions are non-precedential and distinguishable. In CBM2015-00113, the panel’s determination turned on a step requiring “correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier” and on the Petitioner’s formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113 (PTAB Oct. 19, 2015) (Paper 7, 13).

Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because each “requires transmission or forwarding of a data item responsive to or correlated with some other data (payment data or data access rule data).” PO Resp. 22-23. As the panel in CBM2015-00113 explained, however, the claims at issue there required “particular types of searching processes”—i.e., “a non-exhaustive, near neighbor search”—that are different than the abstract idea alleged by Petitioner in that proceeding. CBM2015-00113, Paper 7, 12-13. In this case, none of the challenged claims recite a *specific* search process by which transmission or forwarding of a data item would be correlated with data items. For example, claim 1 (not part of this review, but from which claims 2-5 depend) recites “code responsive to the request and to the received payment data, to read data for the requested data item” and “code to transmit the read to the requester.” Independent claim 19 recites “receiving payment data from the requester relating to payment for the requested data” and “transmitting the requested data to the requester.” With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 23-24. The panel’s determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147 (PTAB Nov. 30, 2015) (Paper 14, 14) (“As in *DDR*, we are persuaded that, however the abstract idea is characterized, the ’854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner’s Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are “directed to an improvement to computer functionality.” Notice 1

(quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are “directed to specific organization of data and defined sequences of transaction steps with distinct advantages over alternatives” (*id.* at 2) and, therefore, “like those in *Enfish*, ‘are directed to a *specific implementation of a solution to a problem*,’ in Internet digital commerce” (*id.* at 3) (emphasis added by Patent Owner). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they “merely implement an old practice in a new environment.” *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), “‘perform[] generic computer functions such as storing, receiving, and extracting data’ using ‘physical components’” that “‘behave exactly as expected according to their ordinary use’ and ‘merely provide a generic environment in which to carry out the abstract idea’ of controlling access to content based on payment and/or rules.” Notice Resp. 2-3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612-15). The limitations of the challenged claims—e.g., “code to receive a request,” “code to receive . . . payment data,” “code responsive to the request and to the received payment data,” and “code to select access rule data for output”—are so general that they

do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution

to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the specification and the language of the challenged claims, that claims 2-5, 9-11, 14, 15, 17, and 19 of the '317 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of

performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept.” Pet. Reply 6. We are persuaded that claims 2-5, 9-11, 14, 15, 17, and 19 of the ’317 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 48-72.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 49 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 40 (quoting Ex. 2049, 19) (emphasis

omitted). We agree with Petitioner for the following reasons.

The '317 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., processor, program store, data access store, and communications interfaces). *See* Pet. Reply 6-11, 15 (citing Ex. 1001, 3:66-67, 11:27-29, 12:29-32, 13:35-38, 14:25-29; 16:46-50, 18:7-17). For example, the specification states the recited “data store” in independent claim 17 may be a generic device such as a “standard smart card.” Ex. 1001, 11:28-30; *see also id.* at 14:25-29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. Moreover, on this record, Patent Owner has not argued persuasively that any of the other potentially technical additions to the claims performs a function that is anything other than “purely conventional.” *Alice*, 134 S. Ct. at 2358. The use of a data/program store and the linkage of existing hardware devices appear to be “‘well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Further, “[t]he challenged claims’ ‘code to’ and other functional limitations simply instruct that the abstract idea of payment for and controlling access to data should be implemented in software.” Pet. 52. The claimed computer code performs generic computer functions, such as receiving, reading, being responsive to, selecting, outputting and transmitting. *See* Pet. 52–55. The recitation of these generic com-

puter functions is insufficient to confer specificity. See *Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 2-5, 9-11, 14, 15, 17, and 19 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. See PO Resp. 40 (quoting Ex. 2049, 19). The challenged claims generically recite several memories, including “data store” and “a program store,” and generically recite several data types, including “data,” “data item,” “code,” “payment data,” and “access rule data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’317 patent related to the way these memories or data types are constructed or used. In fact, the ’317 patent simply discloses these memories and data types with no description of the underlying implementation or programming. See *Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described

step two of this analysis as a search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10-11 (“The claims thus do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 72-73; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 73.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is “‘necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 2-3, 30 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier both the digital content and the payment data and/or access rule data, access control to the digital content can be continuously enforced prior to access to the digital content. By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id. at 19.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 13-16. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor

is retained on the host website, but still is able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”—that of “data content piracy”—(PO Resp. 30-31), and address the “technological problems created by the nature of digital content and the Internet” (*id.* at 29). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 13 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts of compact discs and DVDs. *Id.* (citing e.g., Ex. 1017 ¶¶ 48-49, 52, 76); Ex. 1001, 5:4-7 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1029.

Even accepting Patent Owner's assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Pet. Reply 14-16. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on the abstract idea of controlling access to content by conditioning access on a rule/payment. *See* Pet. Reply 16 (citing *Ultramercial*, 772 F.3d at 712); *id.* at 13 (citing Ex. 1017 ¶¶ 48-49, 52, 76).

Even accepting Patent Owner's assertion that the challenged claims address data piracy on the Internet (PO Resp. 30-31), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '317 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 17 recites "code to receive a request for a data item," "code to receive . . . payment data," "code responsive to the request and to the received payment data to output the item data," and "code to select access rule data for output with a data item." There is no language in this claim, in any of the other challenged claims, or in the specification of the '317 patent, that demonstrates that the generic computer components function in an unconventional manner or employ sufficiently specific programming. Instead, the "code" limitations, for example, like all the other limitations of the challenged claims, are "specified at a high level of generality," which the Federal Circuit has found to be

“insufficient to supply an inventive concept.” *Ultra-mercials, Inc.*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultra-mercials*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on payment, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “data store,” “program store,” and “processor,” and routine additional steps such as “code” that performs generic functions does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *Bascom Global Internet Services, Inc. v. AT&T*

Mobility, LLC., 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “arranged in a non-conventional and non-generic way,” namely by requiring “a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing technological process.’” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “‘the performance of the computer system itself.’” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351) (emphasis omitted). The concept of storing two different types of information in the same place or on

the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 17-18 (citing Ex. 1013); Ex. 1013, 10:24-28 (describing a “rental product[] . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 29 (citing Ex. 1011); Ex. 1011, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See Bascom*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’317 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 19 (quoting Ex. 1001, 5:24-28). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content and the payment data and/or access rule data, access control to the digital content can be continuously enforced prior to access

to the digital content.” *Id.* Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id.

As Petitioner notes, the concept of continuously enforced access control to digital content is not recited in the challenged claims. Pet. Reply 7 n.2. We additionally note that none of the challenged claims recite “partial use status data.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the payment data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content, as discussed above. To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary

to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 18-19)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 70. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 47-52. According to Patent Owner, the challenged claims do not result in inappropriate preemption “because one could perform the purported abstract idea *without* required claim elements.” *Id.* at 51; *see also id.* at 52 (“the [challenged] claims do not tie up or prevent the use of the purported abstract idea . . . because, as noted above, there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what it claimed”). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 51-52. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 48-49.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358.

The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1301, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 18-19 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255.

This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (“the “co-pending litigation”) with Patent Owner (PO Resp. 53); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 54); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 54-56); and

(4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 57-59). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the instituted claims [of the ’317 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 54.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705, 1710 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jillian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case

CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 57 n.4 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

C. Indefiniteness

Petitioner contends that claim 19 is also unpatentable under 35 U.S.C. § 112 ¶ 2 as indefinite. Pet. 73-76. Petitioner’s basis for this challenge is that “the read data” recited in claim 19 lacks antecedent basis. *Id.* at 74-75.

Independent claim 19 recites “receiving a request for a data item,” “receiving payment data from the requester,” “transmitting the requested data to the requester,” and “transmitting data access rule data to requester with *the read data*.” (Emphasis added). Petitioner contends that the only “data” recited in the claim, before “read data” in the last limitation is “a data item” and “payment data,” but “it is unclear [whether the recited] ‘the read data’ refers to one of these types of data or something else.” *Id.* at 74. Patent Owner responds that

[g]iven that the last two steps, the only steps involving “transmitting data,” are transmitting parts of the data item to the requester, and give that the requester does not need to have the only other identified data, “payment data,” transmit-

ted back to the requester given that it already had possession of when it sent the payment data, it is clear that one of ordinary skill in the art would understand that “*the read data*” would be interpreted to mean “*the requested data*.”

PO Resp. 60. We are not persuaded by Patent Owner’s argument.

Although lack of antecedent basis alone is insufficient to render a claim indefinite, here the lack of antecedent basis introduces ambiguity into the claim. Specifically, it is not clear whether the recited “the read data” refers to “a data item” (i.e., “the requested data”), “payment data,” or a type of data not recited in the claim. Furthermore, the claim does not recite a step for “reading” any type of data. As an initial matter, Patent Owner provides no evidence regarding how a skilled artisan would interpret the recited “the read data,” but relies solely on attorney argument. *See id.* As Petitioner points out (Pet. Reply 19-20), Patent Owner summarily alleges that the requester does not need to receive back the recited “payment data” that it possessed when it sent the payment data. Patent Owner also does not allege that any disclosure in the specification supports its position that a skilled artisan would interpret “the read data” to refer back to the recited “the requested data.” We determine Patent Owner’s argument that “the read data” would be interpreted as referring back to the recited “the requested data” is conclusory without factual support. Petitioner, on the other hand, provides testimony from its expert that “read data” could be referring to “a data item,” “payment data,” or a type of data not recited in the claim. Ex. 1017 ¶ 106. As Petitioner notes, Patent Owner fails to address this testimony.

Upon review of the record before us, we are persuaded that claim 19 is amenable to more than one plausible claim interpretation, and we determine that the phrase “read data” does not inform those skilled in the art about the scope of the invention with reasonable certainty and, therefore, is indefinite under 35 U.S.C. § 112 ¶ 2. *In re Packard*, 751 F.3d 1307, 1309 (Fed. Cir. 2014) (affirming Board’s conclusion, in context of *ex parte* appeal, that claims were indefinite “on grounds that they ‘contain[] words or phrases whose meaning is unclear.’”).

D. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that the challenged claims, claims 2-5, 9-11, 14, 15, 17, and 19, of the ’317 patent, are unpatentable under 35 U.S.C. § 101. We further determine that claim 19 is indefinite under 35 U.S.C. § 112.

E. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 24, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 25, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 27). Patent Owner seeks to exclude Exhibits 1002-1006, 1009-1017, 1019, 1021-1026, and 1028-1034. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1002 and 1034

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit 1034—Trial

Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-4; Paper 27, 1-2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’317 patent in the complaint because the ’317 patent itself is in evidence. Mot. 4. Moreover, according to Patent Owner, its characterization of the ’317 patent is irrelevant and, even if relevant, cumulative to the ’317 patent itself. *Id.* at 2-3.

We are persuaded that Exhibits 1002 and 1034 are offered not for the truth of the matter asserted (i.e., the content of the ’317 patent), but as evidence of how Patent Owner has characterized the ’317 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002 and 1034 are evidence of the content of a writing or that it is cumulative to the ’317 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1034 are irrelevant, at least because its characterization of the ’317 patent in prior proceedings is relevant to the credibility of its characterization of the ’317 patent in this proceeding. Patent Owner contends that Exhibits 1002 and 1034 do not contradict its characterization of the ’317 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner’s characterization of the ’317 patent in prior proceedings is relevant to Patent Owner’s contention in this proceeding that the ’317 patent does not satisfy

the “financial in nature” requirement for a covered business method patent review (PO Resp. 60-65; Prelim. Resp. 39-44).

Accordingly, we decline to exclude Exhibits 1002 and 1034.

2. Exhibits 1003-1006, 1009-1016, 1019, 1021-1026, and 1029-1033

Patent Owner seeks to exclude Exhibits 1003-1006, 1009-1016, 1019, 1021-1026, and 1029-1033 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5-6; Paper 27, 2-3.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 4-5. Petitioner further contends that the Petition and Kelly Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well-known, routine, and conventional. *Id.* at 5.

Patent Owner argues that whether limitations of the challenged claims were well-known, routine, and conventional is only relevant after finding that a claim is directed to an abstract idea, which is not necessary in this case because the claims are not directed to an abstract idea. Mot. 6-7. Petitioner argues that “[i]t would be nonsensical to exclude the Prior Art Exhibits before the Board determines whether it needs to perform the second step of the *Mayo* analysis, as PO urges” (Opp. 6), and that the claims are directed to an abstract idea (*id.* at 6-8).

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, Dr. Kelly attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 1017 ¶ 9) and many of these exhibits are cited in the Petition’s discussion of the § 101 challenge (*see, e.g.*, Pet 11 (citing Exs. 1015 and 1022), Pet. 43 (citing Exs. 1003, 1004, 1005, 1011, 1012, 1013, 1021, 1024, 1028, 1029)). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1003-1006, 1009-1016, 1019, 1021-1026, and 1029-1033.

3. *Exhibit 1017*

Patent Owner moves to exclude Exhibit 1017, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 7-12; Paper 29, 3-4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because Dr. Kelly (1) does not employ scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) could not define an abstract idea; (4) looked for an inventive concept over the prior art rather than over

the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 7-12; Paper 29, 3-4. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 27, 3.

Petitioner argues that (1) Dr. Kelly's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues; (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 8-12 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly's Declaration. Because Exhibit 1017 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Accordingly, we decline to exclude Exhibit 1017 in its entirety or any paragraph therein.

4. *Exhibit 1028*

Patent Owner moves to exclude Exhibit 1028, the April 8-9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner's expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, on the grounds that it is irrelevant hearsay. Mot. 12; Paper 27, 4. Petitioner argues that this testimony is not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if it is hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12-14. Patent Owner argues that Dr. Katz's admissions as to what was in the prior art are irrelevant to a § 101 analysis because "[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional." Paper 27, 4.

We agree with Petitioner that Dr. Katz's testimony is not hearsay because it was offered against an opposing party, is testimony that Patent Owner adopted or believed to be true, and was provided by a person, Dr. Katz, whom Patent Owner authorized to provide testimony on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that 2-5, 9-11, 14, 15, 17, and 19 of the '317 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking

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judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00124
Patent 7,942,317 B2

[Entered January 27, 2017]

Before JENNIFER S. BISK, RAMA G. ELLURU,
and JEREMY M. PLENZLER, *Administrative
Patent Judges.*

ELLURU, *Administrative Patent Judge.*

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

INTRODUCTION

Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 1-17 and 19 of U.S. Patent No. 7,942,317 B2 (Ex. 1001, “the ’317 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ On November 10, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 2-5, 9-11, 14, 15, 17, and 19 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 25². Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response. Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 29 (“Notice Resp.”).

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 2-5, 9-11, 14, 15, 17, and 19 of the ’317 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 31 (“Final Dec.”), 3, 35. Patent Owner requests rehearing of the Final Decision with respect to patent ineligibility of the challenged claims under § 101. Paper 32 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

² We also instituted a review of claim 19 as being indefinite under 35 U.S.C. § 112, second paragraph. *Id.* Because a final written decision determining that claims 1, 6-8, 12, 13, and 16 of the ’317 patent are unpatentable under § 103 had already issued in CBM2014-00112, we declined to institute a review of claims 1, 6-8, 12, 13, and 16 in this proceeding. *Id.* at 6-7.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that the challenged claims are directed to patent-ineligible subject matter. Req. Reh'g 3.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*³, *Enfish*⁴, and *Bascom*⁵. *Id.* at 4-11. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was

³ *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

⁴ *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

⁵ *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Although Patent Owner repeatedly states that the Board “misapprehends” Smartflash’s argument (*see, e.g.*, Req. Reh’g 5, 10), it does not offer sufficient explanation as to how we misapprehended or overlooked any particular “matter [that] was previously addressed in a motion, an opposition, or a reply.” Rather than providing a proper request for rehearing, addressing particular matters that we previously allegedly misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made.

To the extent portions of the Request are supported by Patent Owner’s argument in the Patent Owner Response or in Patent Owner’s Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 5, 7, 9 (noting that the Board “rejected” Smartflash’s argument with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). Our Final Decision, as noted above, addresses Patent Owner’s arguments related to *DDR Holdings* (Final Dec. 17-21), *Enfish* (*id.* at 12-13), and *Bascom* (*id.* at 21-23). Patent Owner’s Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the challenged claims and those addressed in *McRO*⁶ and *Amdocs*⁷, which

⁶ *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

⁷ *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

were issued after Patent Owner’s Notice was filed. Req. Reh’g 11-15. Patent Owner alleges that we overlooked the Federal Circuit’s decisions in *McRO* and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11-13), and concluding that

[b]ecause the challenged claims are a technological improvement over the then-existing systems, and limit transfer and retrieval of content based on payment and/or access rules in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13 (citing Ex. 1001, 22:36-57 (claim 11), 26:4-7 (claim 2-5), 26:58-27:17 (claims 14, 15), 28:16-23 (claim 17)). But *McRO* does not stand for the general proposition that use of rules or conditions, such as payment, to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that “the claimed improvement [was] allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human animators.” *Id.* at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective* process performed by human artists into a mathematically *automated* process

executed on computers (i.e., the processes were fundamentally different). *Id.* at 1314. The Court explained that “it [was] the incorporation of the claimed rules, not the use of the computer, that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations “where the claimed computer-automated process and the prior method were carried out in the same way.” *Id.* (citing *Parker v. Flook*, 437 U.S. 584, 585-86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims “merely implement an old practice in a new environment.” Final Dec. 12 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue in *McRO*. *FairWarning*, 839 F.3d at 1094-95. In *FairWarning*, the Court explained that “[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries” and that it is the “incorporation of a computer, *not* the claimed rule, that purportedly ‘improve[s] [the] existing technological process.’” *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the “payment data” in claim 17 and the “use rule data” in claim 14, for example, are merely conditions for “determin[ing] what access is permitted to data stored on the data carrier,” that the ’317 patent explains “will normally be dependent upon payments made for data stored

on the data carrier” (i.e., allowing access when the data has been purchased). Ex. 1001, 9:17-21.

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that “the challenged claims of the ’317 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use[] an unconventional technological approach.” Req. Reh’g 14-15 (citing PO Resp. 17, 39-40)⁸. We disagree.

In *Amdocs*, the Court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* The Court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases).” *Id.* The Court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300-1301. When determining that the claim was patent-eligible, the Court explained that the “enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem.” *Id.* at 1301. The Court distinguished the claim from

⁸ This is the only instance where one of Patent Owner’s papers is cited in the Request with respect to arguments directed to *Amdocs*.

the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that the “enhancing limitation . . . necessarily incorporates the invention’s distributed architecture—an architecture providing a technological solution to a technological problem,” which “provides the requisite ‘something more’ than the performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, “[t]he ’317 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components.” Final Dec. 15. Unlike the generic components at issue in *Amdocs*, the generic components recited in claims 2-5, 9-11, 14, 15, 17, and 19 of the ’317 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See id.* at 17-21. The challenged claims of the ’317 patent simply recite generic memories, data types, processors, and “code to” perform well-known functions with no description of the underlying implementation or programming. *See id.* at 14-17.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00016¹
Patent 8,033,458 B2

[Entered March 29, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
PLENZLER, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ Apple Inc. has been dismissed as Petitioner from this proceeding with respect to claim 1. Paper 50.

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 6, 8, 10, and 11 of U.S. Patent No. 8,033,458 B2 (Ex. 1201, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 9 (“Pet.”). On April 10, 2015, we instituted a transitional covered business method patent review (Paper 23, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 6, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 11 is unpatentable under 35 U.S.C. § 112 ¶ 2.³ Inst. Dec. 26.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 33, “PO Resp.”) and Petitioner filed a Reply (Paper 35, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 53 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 6, 8, and 10 of the ’458 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim

² Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

³ Petitioner cites 35 U.S.C. § 112(b). We note, however, that the ’458 patent was filed in 2010 (prior to application of the AIA). The pre-AIA laws, therefore, apply to the challenges to the ’458 patent.

11 is unpatentable under 35 U.S.C. § 112 ¶ 2. We terminate this proceeding with respect to claim 1.

B. Related Matters and Termination

In a previous covered business method patent review, CBM2014-00106, we issued a Final Written Decision determining claim 1 unpatentable under 35 U.S.C. § 103. CBM2014-00106, Paper 52. Because Apple was the petitioner in that proceeding, we found that § 325(e)(1) estops Apple from filing or maintaining a proceeding before the Office with respect to claim 1, i.e., the same claim, in this case. Paper 50 (“Estoppel Order”), 4. We, therefore, ordered Apple not to present argument with respect to the patentability of that claim at the oral hearing on November 9, 2015. *Id.* at 8.

On March 15, 2016, Patent Owner filed an authorized motion to terminate this proceeding with respect to claim 1 stating that “[o]n March 4, 2016, pursuant to Fed. R. App. P. 42(b), the United States Court of Appeals for the Federal Circuit dismissed [Patent Owner’s] appeal of [the final written decision in CBM2014-00106 determining] that claim 1 of the ’458 Patent is unpatentable.” Paper 55, 3.⁴

We are persuaded that the particular facts of this proceeding now counsel in favor of termination with respect to claim 1. 37 C.F.R. § 42.72. Claim 1 of the ’458 patent has been finally cancelled and any decision we might reach in this proceeding regarding the patentability of this claim would be moot and purely advisory. We do not see how the just, speedy, and inexpensive resolution of every proceeding (37 C.F.R.

⁴ Fed. R. App. P. 42 provides for dismissal of an appeal at the request of the parties or on motion by the appellant.

§ 42.1(b)) would be secured by rendering a final written decision with respect to claim 1.

C. The '458 Patent

The '458 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1201, 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29-55. The '458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11-15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59-67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-5.

The '458 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49-52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Challenged Claims

Petitioner challenges claims 6, 8, 10, and 11. Claim 6 is independent, with claims 8, 10, and 11

depending from claim 6, and claim 6 is reproduced below:

6. A data access device for retrieving stored data from a data carrier, the device comprising:
 - a user interface;
 - a data carrier interface;
 - a program store storing code implementable by a processor; and
 - a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;
 - code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and
 - code to access the stored data when access is permitted.

Id. at 27:8-23.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '458 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d

1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 6, 8, and 10 (“the challenged claims”) as directed to patent-ineligible subject matter under 35 U.S.C. § 101.⁵ Pet. 24-36. Petitioner submitted a declaration from Anthony J. Wechselberger (“Wechselberger declaration”)⁶ in support of its petition. Ex. 1220.

Patent Owner contends that the challenged claims are patent-eligible. PO Resp. 10-27.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-14 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “data access device.” Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing

⁵ We do not address claim 1 because, as noted above, this Decision terminates the proceeding with respect to that claim.

⁶ In its Response, Patent Owner argues that the Wechselberger declaration should be given little or no weight. PO Resp. 4-5. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

Assoc. for Molecular Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of

‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 24. Specifically, Petitioner contends that “claims 6, 8, [and] 10 [] are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 26. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 10-27; *see also* Tr. 46:21-47:11 (Patent Owner arguing that the challenged claims are not abstract ideas, but conceding this argument was not made in the briefs).

We agree that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of controlling access to content. For example, claim 6 recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted.”

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20-55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction

of use rules linked to payment data. *Id.* at 9:7-25. As Petitioner notes (Pet. 26), the '458 patent makes clear that the claimed subject matter is directed to paying for data and providing access to data. *See* Ex. 1201 at 2:20-23 ("This invention is . . . particularly . . . relate[d] to a portable data carrier for storing and paying for data and to computer systems for providing access to data."). Although the specification discusses data piracy on the Internet (*see id.* at 1:29-39), the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the '458 patent specification, is controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '458 patent specification and the language of the challenged claims, that claims 6, 8, and 10 are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be "generating tasks [based on] rules . . . to be completed upon the occurrence of an event").

2. Inventive Concept

"A claim that recites an abstract idea must include 'additional features' to ensure 'that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].'" *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). "This requires more than simply stating an abstract idea while adding the words 'apply it' or 'apply it with a computer.'

Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “the Challenged Claims do nothing more than recite routine, conventional computer functions in implementing an abstract idea.” Pet. Reply 7. Petitioner persuades us that claims 6, 8, and 10 of the ’458 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 27-34.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.”

Pet. 28 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 18-19 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The specification of the ’458 patent treats as well-known all potentially technical aspects of the claims, which simply require generic computer components (e.g., interfaces, program store, and processor). The linkage of existing hardware devices to supplier-defined access rules appear to be “‘well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294. Further, the claimed computer code simply performs generic computer functions, such as accessing, retrieving, and evaluating data. *See* Pet. 29-30. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 6, 8, and 10 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 18. The challenged claims do not recite any particular or “distinct memories.” To the extent Patent Owner argues that the claimed “program store” is a memory, Patent Owner does not provide any argument as to how it is constructed or implemented in an un-

conventional manner. Moreover, the claims recite several generic data types, such as “code,” “use status data,” and “use rules data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’458 patent related to the way these data types are constructed or used. The recitation of generic data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claims into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). In addition, the ’458 patent simply recites data types with no description of the underlying implementation or programming that results in these data types. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 36; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 36.

Thus, we determine the potentially technical elements of the claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

To the extent Patent Owner argues that the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

PO Resp. 12. Patent Owner further contends that “the claimed portable data carriers enable the tracking of partial use of a stored data item (e.g., so that the rest can be used/played back later)” and

[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id.

None of the claims currently involved in the § 101 challenge in this proceeding recite “partial use status data.”⁷ Nevertheless, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content. *See, e.g.*, Pet. 7-8 (citing Ex. 1216, Abstract); *see also* Ex. 1216, 10:24-30 (discussing “a time bomb or other disabling device which will disable the product at the end of the rental period.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] whether a renter had ‘finished with’ the DVD yet” (PO Resp. 8)), we remain unpersuaded that the claims recite an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

⁷ The “partial use” limitation is found in claim 11.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because “the claims are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged claims are “directed to particular devices that can download and store digital content into a data carrier.” *Id.* at 11-12. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

Id. at 12.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 8-17. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context”

because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims “are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data

piracy” and “address . . . a challenge particular to the Internet.” PO Resp. 12. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 10-11 (identifying other contexts in which data piracy is a problem). For example, data piracy is a problem with compact discs. *See* Ex. 1201 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology. *See* Pet. Reply 13-15.

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 12), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claim 6 of the ’458 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 16-18. Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with the “code to access the stored data when access is permitted” in claim 6. *Id.* Patent Owner, however, fails to identify how this limitation of claim 6 from the ’458 patent is analogous to the corresponding *DDR Holdings* limitation. Unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on

conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

The challenged claims are like the claims at issue in *Ultramercial*. The *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as accessing stored data when access is permitted does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Preemption

Petitioner argues that “the challenged claims’ broad functional [nature] firmly triggers preemption concerns” (Pet. 30), which “drive *Mayo*’s two-part test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Pet. Reply 17). Patent Owner responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of paying for and controlling access to data’ . . . or the ‘idea of paying for and controlling access to content.’” PO Resp. 20. Accord-

ing to Patent Owner, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 20 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the claims of the ’458 patent do not raise preemption concerns. *Id.* at 22-23, 25-27.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasi-

bility, or adequacy of non-infringing alternatives to gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 17-20 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an "inventive concept" that is "sufficient to ensure that the claim in practice amounts to 'significantly more' than a patent on an ineligible concept." *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas "cannot be circumvented by attempting to limit the use of the formula to a particular technological environment," despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that "[w]here a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot." *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claims are drawn to an abstract idea that does not add an inventive concept sufficient to ensure that the

patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in and resolved by this inquiry.

d. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 27-28); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 30).

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 30.

3. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 6, 8, and 10 of the '458 patent are unpatentable under § 101.

C. Indefiniteness

Petitioner challenges claim 11 as being indefinite under 35 U.S.C. § 112 ¶ 2. Pet. 77-78. Claim 6 recites “use rules data,” and does not recite “use rules.” Claim 11, which depends from claim 6, however, recites “said use rules” in its initial instance. Petitioner notes that the Board has previously construed these two terms, in related patents, to have different meanings. Pet. 78 (citing Case No. CBM2014-00108, Paper 8, 7 (construing “use rule” as “a rule specifying a condition under which access to content is permitted”)); Case No. CBM2014-00112, Paper 7, 7 (construing “use rule data” as “data for a rule specifying a condition under which access to content is permitted”). Petitioner, thus, contends that a person of ordinary skill would not understand whether claim 11 should properly recite “wherein said use rules data permit.” *Id.*

Patent Owner contends that “[g]iven the recitation of ‘*said* use rules’ coupled with the reference to claim 6, one of ordinary skill in the art would know that the antecedent basis for ‘said use rules’ in claim 11 would be the ‘use rules data’ of claim 6.”⁸ PO Resp. 29. Upon further consideration of the record, we are not persuaded that one skilled in the art would have understood claim 11’s “said use rules” to refer back to the “use rules data” introduced in claim 6.

Although lack of antecedent basis alone is insufficient to render a claim indefinite, here the lack of antecedent basis introduces ambiguity into the claim.

⁸ At institution, we did not have the benefit of Patent Owner’s position on the intended meaning of the claim because in its Preliminary Response, Patent Owner did not indicate a clear position on how one skilled in the art would read the recitation of “said use rules” in claim 11. *See* Prelim. Resp. 14-15.

It is unclear whether claim 11 should recite “use rules” or “said use rules data,” rather than “said use rules.” As indicated above, we have construed “use rules” and “use rules data” differently. As Petitioner also notes (Pet. Reply 20), Patent Owner offers no evidence to support its contentions regarding how one skilled in the art would understand “said use rules” in claim 11 (*see* PO Resp. 28-30). Patent Owner also fails to even allege that anything in the specification supports its position that one skilled in the art would understand “said use rules” in claim 11 to mean “said use rules data.” Petitioner, on the other hand, provides testimony from Mr. Wechselberger explaining how one skilled in the art would understand the term “said use rules.” *See* Pet. 78 (citing Ex. 1220 ¶¶ 74-75). Mr. Wechselberger testifies, for example, that when reading claim 11, which recites “permit partial use,” one skilled in the art would “question whether the claim was intended to recite a new concept ‘use rules,’ which would be more in keeping with the ‘permit’ language.” Ex. 1220 ¶ 74. As Petitioner notes, Patent Owner fails to address this testimony. Pet. Reply 20.

Upon review of the record before us, we are persuaded that claim 11 is amenable to two plausible claim interpretations, and we determine that the phrase “said use rules” does not inform those skilled in the art about the scope of the invention with reasonable certainty and, therefore, is indefinite under 35 U.S.C § 112 ¶ 2. *Ex Parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008) (precedential) (holding “that if a claim is amenable to two or more plausible claim constructions, the USPTO is justified in requiring the applicant to more precisely define the metes and bounds of the claimed invention by holding the claim

unpatentable under 35 U.S.C. § 112, second paragraph, as indefinite”); *see also* *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (holding that § 112 ¶ 2 requires “that a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.”).

D. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 39, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 43, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 48). Patent Owner’s Motion to Exclude seeks to exclude Exhibits 1202, 1203, 1205-1209, 1211-1220, 1226, and 1227. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1202

Patent Owner seeks to exclude Exhibit 1202—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-3; Paper 48, 1-2. Specifically, Patent Owner argues that Petitioner does not need to cite Patent Owner’s characterization of the ’458 patent in the complaint because the ’458 patent itself is in evidence. Mot. 1-2. Moreover, according to Patent Owner, its characterization of the ’458 patent is irrelevant and, even if relevant, cumulative to the ’458 patent itself. *Id.* at 2-3.

Petitioner counters that it relies on Exhibit 1202 not as evidence of the content of the ’458 patent, but

to show that Patent Owner's characterization of the '458 patent supports Petitioner's contention that the '458 patent is a covered business method patent. Opp. 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '458 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Patent Owner's characterization of the '458 patent in another proceeding is not in the '458 patent itself, and, therefore, Exhibit 1202 is not cumulative to the '458 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the '458 patent), but as evidence of how Patent Owner has characterized the '458 patent. Thus, Patent Owner has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the '458 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the '458 patent in prior proceedings is relevant to the credibility of its characterization of the '458 patent in this proceeding. Patent Owner contends that Exhibit 1202 does not contradict its characterization of the '458 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. Mot. 3. Patent Owner's argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner's characterization of the '458 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '458 patent does not satisfy

the “financial in nature” requirement for a covered business method patent review (Prelim. Resp. 5-10).

Accordingly, we decline to exclude Exhibit 1202.

Exhibit 1208

Patent Owner seeks to exclude Exhibit 1208 as irrelevant under FRE 401 and 402 because it is not cited in the Petition or the Wechselberger Declaration, and our Decision to Institute did not base any of its analysis on that exhibit. Mot. 3-4.

Petitioner does not oppose excluding Exhibit 1208. Opp. 3 n.1.

Petitioner asserts no basis for Exhibit 1208 to remain in this proceeding. Moreover, as Petitioner notes, it does not rely on Exhibit 1208, and neither our Decision on Institution nor this Final Written Decision rely on that exhibit. Accordingly, we determine that it is appropriate to exclude Exhibit 1208.

*Exhibits 1203, 1205-1207, 1209,
1211-1219, 1226, and 1227*

Patent Owner seeks to exclude Exhibits 1206, 1207, 1209, 1211, 1212, 1216, 1217, 1219, 1226, and 1227 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5-6; Paper 48, 2. Patent Owner additionally seeks to exclude Exhibits 1203, 1205, 1213, 1214, 1215, and 1218 as irrelevant under FRE 401 and 402 because those references are not the basis for any invalidity grounds for which covered business method reviewed was instituted. Mot. 6-8; Paper 48, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged

claims contain an inventive concept. Opp. 2-3. Petitioner further contends that the Petition and Wechselberger Declaration rely on these prior art exhibits to show, for example, the elements disclosed by the challenged claim were well known, routine, and conventional. *Id.* at 4.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. Specifically, these exhibits are relevant to the state of the art—whether the technical limitations of the challenged claim were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, with respect to Exhibits 1206, 1207, 1209, 1211, 1212, 1216, 1217, 1219, and 1227, Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 2020 ¶¶ 28-49, 76-105) and Exhibit 1226 is cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 32).

Accordingly, we decline to exclude Exhibits 1203, 1205-1207, 1209, 1211-1219, 1226, and 1227.

Exhibit 1220

Patent Owner seeks to exclude Exhibit 1220, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8; Paper 48, 2. Specifically, Patent Owner contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Mot. 9. Thus, Patent Owner concludes that we cannot assess,

under FRE 702, whether Mr. Weschelberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Mot. 8-10; Paper 48, 2.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Opp. 5 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Patent Owner has not articulated a persuasive reason for excluding Mr. Weschelberger's declaration. Patent Owner has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Patent Owner further requests that, to the extent that we do not exclude Exhibit 1220 in its entirety, we exclude paragraphs 28-71 from the declaration. Mot. 11. Specifically, Patent Owner states:

Paragraphs 28-71 (and any other portion of the Wechselberger Declaration that is directed to

patentability under 35 U.S.C. § 103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101 and § 112 ¶ 2. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Mot. 11.

Because this review is under § 101, analyses of the state of the prior art, which includes analyses of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry. Therefore, we decline to exclude these paragraphs.

Patent Owner further requests that we exclude paragraphs 24-26 and 72-75 because these paragraphs are “unreliable and lacking foundation” because “[t]hese paragraphs deal with the issue of indefiniteness and the Wechselberger Declaration does not prove that Mr. Wechselberger is an expert whose testimony is relevant to the issue.” *Id.* at 12. Paragraphs 24-26 are directed to the definition of one of ordinary skill in the art, rather than any particular testimony regarding indefiniteness under § 112, and Patent Owner makes no arguments regarding this definition. Paragraphs 72-75 address how one of ordinary skill in the art would understand the claim language. Patent Owner does not appear to take issue with Mr. Wechselberger testifying as one of ordinary skill in the art. *See* Mot. 12. Because this testimony is related to how one skilled in the art would understand certain claim limitations, and Mr. Wechselberger qualifies as one skilled in the art, we are not persuaded that we should exclude this testimony.

Patent Owner also requests that we exclude paragraphs 76-105 of Exhibit 1220 because these paragraphs “deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* at 12. Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s motion to terminate this proceeding with respect to claim 1 is *granted*;

FURTHER ORDERED that CBM2015-00016 is terminated with respect to claim 1;

FURTHER ORDERED that claims 6, 8, 10, and 11 of the ’458 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner’s motion to exclude is *granted-in-part* and *denied-in-part*;

FURTHER ORDERED that Exhibit 1208 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00016¹
Patent 8,033,458 B2

[Entered June 9, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
PLENZLER, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Apple Inc. has been dismissed as Petitioner from this proceeding with respect to claim 1. Paper 50.

INTRODUCTION

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 6, 8, 10, and 11 of U.S. Patent No. 8,033,458 B2 (Ex. 1201, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 9 (“Pet.”). On April 10, 2015, we instituted a transitional covered business method patent review (Paper 23, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 6, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 11 is unpatentable under 35 U.S.C. § 112 ¶ 2.³ Inst. Dec. 26. Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 33, “PO Resp.”) and Petitioner filed a Reply (Paper 35, “Pet. Reply”) to Patent Owner’s Response.

In our Final Decision, we terminated with respect to claim 1, which had already been finally cancelled, and we determined that Petitioner had established, by a preponderance of the evidence, that claims 6, 8, 10, and 11 of the ’458 patent are unpatentable. Paper 56 (“Final Dec.”), 3, 29. Patent Owner requests rehearing of the Final Decision. Paper 57 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a

² Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

³ Petitioner cites 35 U.S.C. § 112(b). We note, however, that the ’458 patent was filed in 2010 (prior to application of the AIA). The pre-AIA laws, therefore, apply to the challenges to the ’458 patent.

preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that claims 6, 8, and 10 ("the challenged claims") are directed to patent-ineligible subject matter. Req. Reh'g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5-9) and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner's previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner's arguments regarding *DDR*

Holdings, Patent Owner simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 11-12, 18-19; Ex. 2049, 19.” Request 6 n.3. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are abstract ideas was previously addressed. *See* PO Resp. 10-27; *see also* Tr. 46:21-47:11” (*id.* at 11 n.5) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 11-12, 18-19; Ex. 2049, 19” (*id.* at 12 n.7). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner’s arguments are either new or were addressed in our Final Decision. For example, Patent Owner’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 10-12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in

its Patent Owner Response (*see* Paper 33 (PO Resp.) *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner's argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh'g 6 (citing Fin. Dec. 16) ("The Board rejected Patent Owner's reliance on *DDR Holdings* (at 16), holding that the challenged claims were not 'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.'). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5-6, 12-15) were addressed at pages 9-14 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6) were addressed at pages 17-20 of our final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 6-10) were addressed at pages 14-17 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner's Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00192¹
Patent 8,033,458 B2

[Entered March 30, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
PLENZLER, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00119 (Patent 8,033,458 B2) has been consolidated
with this proceeding.

INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”)² filed a Petition to institute covered business method patent review of claim 11 (the “challenged claim”) of U.S. Patent No. 8,033,458 B2 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 2 (“Pet.”). On April 2, 2015, we instituted a transitional covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claim 11 is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of claim 11 of the ’458 patent based on the same ground. CBM2015-00119 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of their newly filed case with Samsung’s previously instituted case. CBM2015-00119 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings.⁴ Paper 29; CBM2015-00119, Paper 11.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 21,

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

⁴ For purposes of this decision, we will cite only to Samsung’s Petition.

“PO Resp.”)⁵ and Samsung and Apple (collectively, “Petitioner”) filed a Reply (Paper 28, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 43 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claim 11 of the ’458 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’458 Patent

The ’458 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29-55. The ’458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11--15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59-67. The terminal reads payment information,

⁵ Paper 21 is the redacted version of the Patent Owner Response. Paper 20 is the unredacted version of that Response.

validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-5.

The '458 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49-52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

C. Challenged Claims

Petitioner challenges claim 11, which depends from independent claim 6. Claims 6 and 11 are reproduced below:

6. A data access device for retrieving stored data from a data carrier, the device comprising:
- a user interface;
 - a data carrier interface;
 - a program store storing code implementable by a processor; and
 - a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;
 - code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and
 - code to access the stored data when access is permitted.

Id. at 27:8-23.

11. A data access device according to claim 6 wherein said use rules permit partial use of a data item stored on the carrier and further comprising code to write partial use status data to the data carrier when only part of a stored data item has been accessed.

Id. at 28:14-18.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '458 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 11 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 19-35. Petitioner submitted a declaration from Jeffrey Bloom, Ph.D. in support of its Petition. Ex. 1003 ("Bloom declaration")⁶.

⁶ In its Response, Patent Owner argues that the Bloom declaration should be given little or no weight. PO Resp. 3-6. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Bloom declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion, discussed below.

Patent Owner contends that the challenged claims are patent-eligible.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-14 (Fed. Cir. 2014). Here, the challenged claim recites a “machine,” i.e., a “data access device.” Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev.*

Grp., Inc. v. SAP Am., Inc., 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claim is directed to the abstract idea of “regulating authorized use of information.” Pet. 22. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9-25; *see also* Tr. 46:21-47:11 (Patent Owner arguing that the challenged claims are not abstract ideas, but conceding this argument was not made in the briefs).

We agree that the challenged claim is drawn to a patent-ineligible abstract idea. Specifically, the challenged claim is directed to conditioning and controlling access to content (which is analogous to the characterization of the abstract idea proposed by

Petitioner). For example, claim 6 (from which claim 11 depends) recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted” and claim 11 recites “code to write partial use status data” and that “wherein said use rules permit partial use of a data item.”⁷

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20-55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:7-25. The ’458 patent makes clear that the claimed subject matter is directed to paying for data and providing access to data. *See id.* at 2:20-23 (“This invention is . . . particularly . . . relate[d] . . . to computer systems for providing access to data.”). Although the specification discusses data piracy on the Internet (*see id.* at 1:29-39), the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the ’458 patent specification, is controlling access to content, as Petitioner contends. As discussed further below,

⁷ Although our final decision in CBM2015-00016 determined claim 11 to be indefinite, that determination does not prevent us from determining whether claim 11 is patent-eligible under § 101. For example, the determination that claim 11 is indefinite was based on the uncertainty as to whether “said use rules” in claim 11 refers to the “use rule data” recited in claim 6 or a new “use rule” limitation. Neither interpretation saves the claim from being directed to an abstract idea. Nor does either interpretation involve an inventive concept, as discussed below.

this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '458 patent specification and the language of the challenged claim, that claim 11 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the '458 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and

components.” Pet. Reply 11 (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 11 of the ’458 patent does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of the challenged claims are generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 23-29; Pet. Reply 11-20.

a. Technical Elements

Petitioner argues that the challenged claim is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the ’458 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4-5, 16:46-49, 21:33-38)). Patent Owner disagrees, arguing that the challenged claim is patentable because it “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 15-16 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The specification of the ’458 patent treats as well-known all potentially technical aspects of the claims, which simply require generic computer components (e.g., interfaces, program store, and processor). The linkage of existing hardware devices to existing supplier-defined access rules appear to be “well-

understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Further, the claimed computer code simply performs generic computer functions, such as retrieving, accessing, evaluating, and writing. See Pet. 23-29. The recitation of these generic computer functions is insufficient to confer specificity. See *Content Extraction and Transmission LLC v. Wells Fargo Bank*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claim 11 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” See PO Resp. 15. The challenged claim does not recite any particular or “distinct memories.” To the extent Patent Owner argues that the claimed “program store” recited in claim 6 is a memory, Patent Owner does not provide any argument as to how it is constructed or implemented in an unconventional manner. Moreover, the challenged claim lists several generic data types, such as “use status data,” “use rules data,” and “code.” We are not persuaded that the listing of these data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’458 patent related to the way these data types are constructed or used. The recitation of generic data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*,

132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). In addition, the ’458 patent simply recites data types with no description of the underlying implementation or programming that results in these data types. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claim does not cover a “particular machine.” Pet. 31-33; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claim does not transform an article into a different state of thing. Pet. 33-35.

Thus, we determine, the potentially technical elements of the claim are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

To the extent Patent Owner argues that the challenged claim includes an “inventive concept” because of the specific combination of elements in the challenged claim, we disagree. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the

use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

PO Resp. 11. Patent Owner further contends that “the claimed data access terminals enable the tracking of partial use of a stored data item (e.g., so that the rest can be used/played back later)” and

[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id.

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both

the content and conditions for providing access to the content.⁸ *See, e.g.*, Pet. 40-41 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet. 46 (citing Ex. 1005, 6:58-61 (“Among other things, repositories are used to store digital works, control access to digital works, bill for access to digital works and maintain the security and integrity of the system)); *see also* Ex. 1005, 18:9-16 (“Defining usage rights in terms of a language **in combination with** the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.”). To the extent Patent Owner argues that the challenged claim covers storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] whether a renter had ‘finished with’ the DVD yet” (PO Resp. 11)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

⁸ We have already determined in a final written decision on the ’458 patent, addressing claim 6 from which claim 11 depends, that the concept of combining the content and conditions for providing access to the content on the same device was known. *See* Case CBM2015-00016, Paper 56, 13-14.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claim is directed to statutory subject matter because “the claims are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged claim is “directed to particular devices that can download and store digital content into a data carrier.” *Id.* at 11. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

Id.

Petitioner responds that the challenged claim is distinguishable from the claims in *DDR Holdings*. Pet. Reply 18-20. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context”

because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that the challenged claim is distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims “are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy”

and “address . . . a challenge particular to the Internet.” PO Resp. 12. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 16-17 (identifying other contexts in which data piracy is a problem). For example, potential data piracy of CDs is addressed by copyright protection. *See* Ex. 1001, 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology. *See* Pet. Reply 14-16.

Even accepting Patent Owner’s assertion that the challenged claim addresses data piracy on the Internet (PO Resp. 11), we are not persuaded that it does so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claim and the claim at issue in *DDR Holdings* are made clear by Patent Owner in its tables mapping claims 6 and 11 of the ’458 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 13-15. Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with the “code to access the stored data when access is permitted” in claim 6.⁹ *Id.* Patent Owner, however, fails to identify how this limitation in claim 6 is analogous to the corresponding *DDR Holdings* limitation. Unlike the claims in *DDR Holdings*, this limitation, like all the other limitations of the challenged claim, is “specified at a high level of generality,” which the Federal

⁹ Patent Owner does not identify any of the additional features specifically recited in claim 11 as corresponding to the limitation from *DDR Holdings*.

Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. The limitations of the challenged claim merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

The challenged claim is like the claims at issue in *Ultramercial*. The *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claim comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine, additional steps such as accessing stored data when access is permitted does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claim is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Preemption

Petitioner argues that “claim 11 of the ’458 patent preempts all effective uses of the abstract idea of regulating authorized use of information.” Pet. 29. Patent Owner responds that the challenged claim does not result in inappropriate preemption. PO Resp. 18-24. According to Patent Owner, the challenged claim does not attempt to preempt every

application of the idea, but rather recites a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 19 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claim does not raise preemption concerns. *Id.* at 20-24.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge

a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Pet. Reply 20-24 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an "inventive concept" that is "sufficient to ensure that the claim in practice amounts to 'significantly more' than a patent on an ineligible concept." *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas "cannot be circumvented by attempting to limit the use of the formula to a particular technological environment," despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that "[w]here a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot." *Arios*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claims are drawn to an abstract idea that does not add an inventive concept sufficient to ensure that the

patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in and resolved by this inquiry.

d. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 25-26); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 26-27).

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 26.

3. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 11 of the '458 patent is unpatentable under § 101.

C. Petitioner's Motion to Exclude

Petitioner seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 35, 3-4. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Petitioner's Motion to Exclude is *denied*.

Petitioner seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1-20 and in Exhibit 2057 at 193:17-194:8 and 195:5-16 as (1) irrelevant under Federal Rules of Evidence ("FRE") 401 and 402 (Paper 35, 4-6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7-8). Petitioner argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is "unrelated to the instant CBM proceeding" and "is of no consequence to the validity of the patent claims at issue." *Id.* at 4. Petitioner adds that "during its direct examination of Dr. Bloom, [Petitioner] never opened [the] door to such questions." *Id.* at 8.

We are not persuaded by Petitioner's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claims at issue, but for purposes of challenging the credibility of Petitioner's expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding the issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Petitioner seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6-7. Petitioner argues that in these excerpts, Patent

Owner attempted to solicit testimonies from Dr. Bloom regarding operation of a SiriusXM Internet Radio product and that Patent Owner “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6. According to Petitioner, because “Dr. Bloom has not been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6-7.

We also are not persuaded by this argument. Petitioner does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Petitioner, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

D. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003, 1004, 1005, 1006, 1028, and 1039. Paper 31, 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom’s testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various

Board and Evidentiary rules. Paper 31, 1-10. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent Owner, this is because Dr. Bloom’s declaration “does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions.” *Id.* Patent Owner also seeks to exclude this testimony under FRE 702 because “the Board cannot assess under FRE 702 whether Dr. Bloom’s opinion testimony is ‘based on sufficient facts or data,’ is ‘the product of reliable principles and methods,’ or if Dr. Bloom ‘reliably applied the principles and methods to the facts of the case.’” *Id.* at 3-4.

Petitioner counters that, consistent with the requirements of 37 C.F.R. § 42.65, “Dr. Bloom’s testimony disclosed underlying facts and data upon which his opinions were based.” Paper 38, 4. Petitioner also argues that experts are not required to recite the “preponderance of the evidence” standard expressly. *Id.* at 3-4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom’s Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4-5.

We are not persuaded by Patent Owner’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering, and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15-17. He also has decades

of experience in relevant technologies. *Id.* at ¶¶ 5-14. We are, therefore, not persuaded by Patent Owner's argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the "preponderance of the evidence" standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23-112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 31, 5-6. Because these paragraphs also support Petitioner's assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 23-26 and 113-128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. *Id.* at 6. According to Patent Owner, these paragraphs "relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert" and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 129-137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. *Id.* at 6-7.

We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102-107, 122-125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. *Id.* at 7-10. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 38, 9-11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 41, 4-5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

Exhibits 1004-1006

Patent Owner seeks to exclude Exhibits 1004-1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 31, 10-11.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of

‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content’ and, thus, are relevant to the question of patent eligibility. Paper 38, 11-12.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

Exhibit 1028

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 11. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the ’458 patent. *Id.*

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’458 Patent mimics such payment operations” and is, therefore, not irrelevant. Paper 38, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

Exhibit 1039

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner’s reply brief, as irrelevant and inadmissible under FRE 401 and 402.

Paper 31, 12. According to Patent Owner, the document has an alleged publication after the effective filing date of the '458 patent. *Id.* Patent Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1309 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 38. Petitioner, however, does address the relevance of this document in its reply brief, stating that Exhibit 1039 was replied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '458 patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Pet. Reply 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

ORDER

Accordingly, it is:

ORDERED that claim 11 of the '458 patent is determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00192¹
Patent 8,033,458 B2

[Entered June 9, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.

PLENZLER, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00119 (Patent 8,033,458 B2) has been consolidated with this proceeding.

INTRODUCTION

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”)² filed a Petition to institute covered business method patent review of claim 11 (the “challenged claim”) of U.S. Patent No. 8,033,458 B2 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 2 (“Pet.”). On April 2, 2015, we instituted a transitional covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claim 11 is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of claim 11 of the ’458 patent based on the same ground. CBM2015-00119 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of their newly filed case with Samsung’s previously instituted case. CBM2015-00119 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings.⁴ Paper 29; CBM2015-00119, Paper 11.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 21,

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

⁴ For purposes of this decision, we will cite only to Samsung’s Petition.

“PO Resp.”)⁵ and Samsung and Apple (collectively, “Petitioner”) filed a Reply (Paper 28, “Pet. Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claim 11 of the ’458 patent is unpatentable. Paper 45 (“Final Dec.”), 27. Patent Owner requests rehearing of the Final Decision. Paper 46 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner’s Request is based on a disagreement with our determination that claim 11 (“the challenged claim”) is directed to patent-ineligible subject matter. Req. Reh’g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claim and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773

⁵ Paper 21 is the redacted version of the Patent Owner Response. Paper 20 is the unredacted version of that Response.

F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5-10) and alleged differences between the challenged claim and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner’s arguments regarding *DDR Holdings*, Patent Owner simply notes that “[t]he issue of whether claim 11 was similar to the *DDR Holdings* claims was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 11-12.” Request 7 n.4. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “[t]he issue of whether claim 11 is directed to an abstract idea was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 10-27; *see also* Tr. 46:21-47:11.” (*id.* at 11 n.6) and “[t]he issue of whether claim 11 contains ‘additional features’ beyond an abstract idea was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 11-12, 18-19” (*id.* at 12 n.8). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously

misapprehended or overlooked, Patent Owner's Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an "issue" (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner's arguments are either new or were addressed in our Final Decision. For example, Patent Owner's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 10-12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* Paper 21 (PO Resp.) *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner's argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh'g 7 (citing Fin. Dec. 16) ("The Board rejected Patent Owner's reliance on *DDR Holdings* (at 16), holding that claim 11 was not 'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.'"). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5-7, 12-15) were addressed at pages 9-14 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6-7) were addressed at pages 18-20 of our final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 5-10) were addressed at pages 14-18 of our Final Decision. Mere disagree-

ment with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner's Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00123
Patent 8,033,458 B2

[Entered November 7, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
PLENZLER, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 2-5, 7, 9, and 12 of U.S. Patent No. 8,033,458 B2 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”). On November 10, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 2-5, 7, 9, and 12 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claims 3-5 are indefinite under 35 U.S.C. § 112, second paragraph. Inst. Dec. 23.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 29 (“Notice Resp.”).

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 30 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 2-5, 7, 9, and 12 of the ’458 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that

¹ Pub. L. No. 112–29, 125 Stat. 284, 296-07 (2011).

claims 3-5 of the '458 patent are indefinite under 35 U.S.C. § 112, second paragraph.

B. Related Matters

The parties indicate that the '458 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); and *Smartflash LLC et al. v. Apple Inc.*, Case No. 6:15-cv-00145 (E.D. Tex.). Pet. 34; Paper 4, 4-5. The parties also indicate that the '458 patent is the subject of a number of other district court cases, to which Petitioner is not a party. Pet. 34; Paper 4, 4.

We have issued three previous Final Written Decisions in reviews challenging the '458 patent. In CBM2014-00106, we found claim 1 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00106, (PTAB Sept. 25, 2015) (Paper 52). In CBM2015-00016, we found claims 6, 8, and 10 unpatentable under 35 U.S.C. § 101 and claim 11 unpatentable under 35 U.S.C. § 112, second paragraph.² *Apple Inc. v. Smartflash LLC*, Case CBM2015-00016, (PTAB March 29, 2016) (Paper 56). In CBM2014-00192, we found claim 11 unpatentable under 35 U.S.C. § 101. *Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., Samsung Telecommunications America, LLC, and Apple Inc. v. Smartflash LLC*, CBM2014-00192, (March 30, 2016) (Paper 45).

C. The '458 Patent

The '458 patent relates to “a portable data carrier for storing and paying for data and to computer sys-

² Trial was terminated with respect to the ground challenging claim 1 under 35 U.S.C. § 101 in view of our decision in CBM2014-00106 finding that claim unpatentable under 35 U.S.C. § 103.

tems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29-55. The ’458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11-15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59-67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-5.

The ’458 patent makes clear that the actual implementation of these components is not critical and they may be implemented in many ways. *See, e.g., id.* at 25:49-52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Challenged Claims

The claims under review are claims 2-5, 7, 9, and 12 of the ’458 patent. Inst. Dec. 23. Of the challenged claims, claims 3, 4, and 5 are independent. Claim 2 depends from independent claim 1 (held unpatentable under § 103 in CBM2014-00106). Claims 7, 9, and 12 depend from independent claim 6 (held unpatentable under § 101 in CBM2015-00016).

Independent claims 3, 4, and 5 are illustrative and recite the following:

3. A portable data carrier, comprising:

- an interface for reading and writing data from and to the carrier;

- non-volatile data memory, coupled to the interface, for storing data on the carrier;

- non-volatile payment data memory, coupled to the interface, for providing payment data to an external device;

- a program store storing code implementable by a processor;

- a processor, coupled to the content data memory, the payment data memory, the interface and to the program store for implementing code in the program store;

- non-volatile use record memory, coupled to the processor, for storing a record of access made to the data memory and code to update the use record memory in response to external access made to the data memory; and

- non-volatile use rule memory, coupled to the processor, for storing data use rules, and wherein the code comprises code for storing at least one data item in the data memory and at least one corresponding use rule in the use rule memory and code to provide external access to the data item in accordance with the use rule, wherein the code further comprises code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.

Ex. 1001, 26:10-35.

4. A portable data carrier, comprising:
 - an interface for reading and writing data from and to the carrier;
 - non-volatile data memory, coupled to the interface, for storing data on the carrier;
 - non-volatile payment data memory, coupled to the interface, for providing payment data to an external device;
 - a program store storing code implementable by a processor; and
 - a processor, coupled to the content data memory, the payment data memory, the interface and to the program store for implementing code in the program store;
 - wherein the portable data carrier is configured for storing supplementary data in said data memory, and further comprising code to output the supplementary data from the interface in addition to the stored data, in response to an external request to read the data memory, and
 - wherein the code comprises code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.

Id. at 26:36–55.

5. A portable data carrier, comprising:
 - an interface for reading and writing data from and to the carrier;
 - non-volatile data memory, coupled to the interface, for storing data on the carrier;
 - non-volatile payment data memory, coupled to the interface, for providing payment data to an external device;

a program store storing code implementable by a processor;

a processor, coupled to the content data memory, the payment data memory, the interface and to the program store for implementing code in the program store; and

synthesis code to receive a first portion of data from the interface and to combine the first portion with a second portion of data stored in the data memory and to store the result in the data memory

wherein the code comprises code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.

Id. at 26:56–27:7.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '458 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 2-5, 7, 9, and 12 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 41-71. Petitioner asserts that the

challenged claims are directed to an abstract idea without additional elements that transform it into a patent-eligible application of that idea (*id.* at 42-67), triggers preemption concerns (*id.* at 67-70), and fails the machine-or-transformation test (*id.* at 70-71). Petitioner provides a declaration from John P.J. Kelly, Ph.D. to support its challenges.³ Ex. 1020 (“the Kelly Declaration”). Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy.” PO Resp. 1-2.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “portable data carrier” (claims 2-5) or a “data access device” (claims 7, 9, and 12), under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathol-*

³ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 5-16. Because Patent Owner has filed a Motion to Exclude (Paper 24) that includes a request to exclude Dr. Kelly’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion to exclude, below.

ogy v. Myriad Genetics, Inc., 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental

economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “payment for and/or controlling access to data based on payment or rules.” Pet. 42. We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of paying for and/or conditioning and controlling access to content. For example, claim 3 recites “code for storing at least one data item in the data memory and at least one corresponding use rule in the use rule memory and code to provide external access to the data item in accordance with the use rule.” Claim 4 recites “code to output the supplementary data from the interface in addition to the stored data, in response to an external request to read the data memory” and “code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.” Claim 5 recites “code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.”

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20-55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:7-25. The ’458 patent makes clear that the heart of the claimed subject matter is restricting access to

stored data based on supplier-defined access rules and payment data. *Id.* at Abstract, 1:59-2:15.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, based on, for example, payment or rules, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that claims 2-5, 7, 9, and 12 are “directed to machines,” not abstract ideas. PO Resp. 19-27. Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to “machines with specialized physical components.” PO Resp. 27. As Petitioner correctly points out (Pet. Reply 3), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility “depend simply on the draftsman’s art,” . . . thereby eviscerating the rule that “. . . abstract ideas are not patentable.”

Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347, 2358-59 (2014) (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp. 23-27. These decisions are nonprecedential and distinguishable. In CBM2015-00113, the panel's determination turned on a step requiring "correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier" and on the Petitioner's formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, Paper 7 (Oct. 19, 2015), 13. Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because they "require[] storage or use of data correlated with some other data (payment data, use status data, and/or use rules data)." PO Resp. 24. As the panel in CBM2015-00113 explained, however, the claims at issue there required "particular types of searching processes"—i.e., "a non-exhaustive, near neighbor search"—that are different than the abstract idea alleged by Petitioner. CBM2015-00113, Paper 7 at 12-13. In this case, none of the challenged claims recite a *specific* search process by which use rules would be correlated with content data items. For example, claim 1 (from which challenged claims 2-5 depend), recites "code for storing at least one data time in the data memory and at least one corresponding use rule in the use rule memory and code to provide external access to the data item in accordance with the user rule." With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 24-25. The panel's determination in that case was based on step two, not step one, of the

Mayo/Alice test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147, Paper 14 (Nov. 30, 2015), 14 (“As in *DDR*, we are persuaded that, however the abstract idea is characterized, the ’854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner’s Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are “directed to an improvement to computer functionality.” Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are “directed to specific organization of data and defined sequences of transaction steps with distinct advantages over alternatives” (*id.* at 2) and, therefore, “like those in *Enfish*, ‘are directed to a *specific implementation of a solution* to a problem’ in Internet digital commerce” (*id.* at 3). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they “merely implement an old practice in a new environment.” *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), “perform[] generic computer functions such as storing, receiving, and extracting data” using “physical components” that “behave exactly as expected according to their ordinary use” and “merely provide a generic environment in which to carry out the abstract idea” of controlling access to content based on payment and/or rules. Notice Resp. 2-3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612-15). The limitations of the

challenged claims—e.g., “code to provide external access,” “code to output payment data,” “code to update,” “code for storing,” “code to write,” “code to select,” “code to receive,” “code to retrieve and output”—are so general that they

do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 2-5, 7, 9, and 12 of the '458 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible

concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. See *Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept.” Pet. Reply 6. We are persuaded that claims 2-5, 7, 9, and 12 of the ’458 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; see also *Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 50-67.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-

understood, routine, conventional activity’ added.” Pet. 50 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 49-50 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’458 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 5-6 (citing Ex. 1001, 4:4-13, 11:28-29, 12:29-32, 16:46-50, 18:7-17). With respect to the “portable data carrier” recited in claims 2-5, for example, the Specification states it may be a generic device such as “a standard smart card.” Ex. 1001, 11:27-29; *see also id.* at 14:25-29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. As for the “SIM portion” recited in claim 2, the ’458 patent explains that “mobile phone SIM (Subscriber Identity Module) card[s] . . . already include a user identification means, to allow user billing through the phone network operator.” *Id.* at 4:10-13.

Further, the claimed computer code performs generic computer functions, such as outputting data, providing access to memory and data, updating memory, storing data, receiving and evaluating data, accessing data, and selecting data. *See* Pet. 53-56. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extrac-*

tion and Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 2-5, 7, 9, and 12 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. *See* PO Resp. 49 (quoting Ex. 2049, 1-4). The challenged claims generically recite several memories, including “data memory,” “payment data memory,” “a program store,” “use record memory,” “use rule memory,” and “content data memory,” and generically recite several data types, including “data,” “payment data,” “use status data,” “use rules data,” and “code.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’458 patent related to the way these memories or data types are constructed or used. In fact, the ’458 patent simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of

this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10-11 (“The claims do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 70; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 70-71.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is “‘necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 1-2 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content. By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id. at 18.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 12-17. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor

is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”—that of “data content piracy”—(PO Resp. 1-2), and address “technological problems created by the nature of digital content and the Internet” (*id.* at 31). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 12-13 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *Id.* at 13 (citing Ex. 1001, 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”)). Further, whatever the problem,

the solution provided by the challenged claims is not rooted in specific computer technology, but is based on the abstract idea of controlling access to content (copyrighted media) by conditioning access on a rule/payment. *See* Pet. Reply 16 (citing *Ultramercial*, 772 F.3d at 712); *id.* at 12-13 (citing Ex. 1020 ¶¶ 42, 52, 76).

Even accepting Patent Owner's assertion that the challenged claims address data piracy on the Internet (PO Resp. 32-33), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '458 patent to claim 19 of the patent at issue in *DDR Holdings*. Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with those in the challenged claims. *See* PO Resp. 33-50. There is no language in the challenged claims, however, or the Specification of the '458 patent, that demonstrates that the generic computer components function in an unconventional manner or employ sufficiently specific programming. For example, Patent Owner maps claim 5's "synthesis code to receive a first portion of data from the interface and to combine the first portion with a second portion of data stored in the data memory and to store the result in the data memory" to the limitation highlighted by the Federal Circuit in *DDR Holdings*. This limitation, like all the other limitations of the challenged claims, is "specified at a high level of generality," which the Federal Circuit has found to be "insufficient to supply an 'inventive concept.'" *Ultramercial*, 772 F.3d at 716. This limitation merely

relies on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

Similar to the challenged claims, the claims at issue in *Ultramercial* were directed to distributing media products. Whereas the challenged claims control access to content based on payment and/or a use rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “memory,” “program store,” and a “processor,” and routine additional steps such as receiving and outputting data does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “arranged in a non-conventional and non-generic way,” namely by requiring “a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing technological process.’” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “the performance of the computer system itself.” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351). The concept of storing two different types of information in the same place or on the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 31 (citing Ex. 1016);

Ex. 1016, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 12-15 (citing Ex. 1014); Ex. 1014, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’458 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 18 (quoting Ex. 1001, 5:29-33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.”

Id. Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there

was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id.

As Petitioner notes, the concept of continuously enforced access control to digital content is not recited in the challenged claims. Pet. Reply 7 n.2. Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, as discussed above, the prior art discloses products that could store both the content and conditions for providing access to the content. To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 18)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 68. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 57-62. According to Patent Owner, the challenged claims do not result in inappropriate preemption because they contain elements not required to practice the abstract idea. *Id.* at 57; *see also id.* at 61-62 (“the [challenged] claims do not tie up or prevent the use of the purported abstract idea . . . because . . . there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what is claimed”). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 57-62. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 58-60.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292,

and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. See *Ariososa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Pet. Reply 17-18 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a

patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot." *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (the "co-pending litigation") with Patent Owner (PO Resp. 62-63); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 63); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 64-66); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 66-68). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330,

1340-42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the instituted claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 63.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggan v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 66 n.4 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We

conclude that our review of the issue of § 101 here is proper.

g. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that the challenged claims of the '458 patent are unpatentable under 35 U.S.C. § 101.

C. Indefiniteness

Petitioner contends that claims 3-5 are unpatentable under 35 U.S.C. § 112, second paragraph as indefinite. Pet. 71-75. Petitioner's basis for this challenge is that "the code" recited in each of claims 3-5 "lacks a clear or definite antecedent basis" (Pet. 71-73), and "the content data memory" recited in each of claims 3-5 also "lack[s] a clear or definite antecedent basis" (*id.* at 74-75)⁴. Patent Owner responds that "[c]laims 3-5 are definite as they 'afford clear notice of what is claimed, thereby apprising the public of what is still open to them.'" PO Resp. 68 (quoting *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2102, 2128-29 (2014)).

Claims 3-5 each refer to "the code" after two instances of code are introduced in the claims. Patent Owner contends that "there is an unambiguous recitation of 'code' stored in the program store such that 'the code' clearly could only mean 'the code stored in the program store.'" PO Resp. 69. As noted above,

⁴ Patent Owner additionally addresses Petitioner's indefiniteness challenge for claims 3-5 based on the "content data memory" limitation in its Response. See PO Resp. 70. We did not institute trial on that basis. See Ins. Dec. 23 ("we are not persuaded that one skilled in the art would not have readily understood that 'the content data memory' is intended to refer back to the 'non-volatile data memory . . . for storing data on the carrier' recited in each of claims 3-5.).

however, the claims each recite a second, and distinct, “code” in addition to that recited in the “program store storing code” limitation referenced by Patent Owner. For example, claim 3 also recites “non-volatile use record memory . . . for storing . . . code to update the use record memory.”

Patent Owner contends that

to attempt to interpret “the code” as being a specific type of code (e.g., “code to update the use record memory” in claim 3) would cause “code to output payment data from the payment data memory to the interface and code to provide external access to the data memory” to have functions inconsistent with the specific type of code (e.g., whose function is update the use record memory, not output payment data from the payment data memory to the interface or provide external access to the data memory).

Id. Patent Owner does not address specifically the similar code limitations in claims 4 and 5. Patent Owner’s contentions are the exact same as those set forth in its Preliminary Response. *See* Prelim. Resp. 41-42.

As explained in our Institution Decision, and not addressed further in Patent Owner’s Response, [t]he lack of antecedent basis for “the code” introduces ambiguity into the claims. It is unclear whether “the code” recited in claims 3-5 refers back to the code in the program store or to the other instances of code recited in those claims. We are persuaded that the phrase “the code” recited in claims 3-5 does not inform those skilled in the art about the scope of the invention with reasonable certainty and, therefore, is more likely than not indefinite under 35 U.S.C § 112, ¶ 2. *In re Packard*, 751 F.3d 1307, 1311 (Fed. Cir. 2014)

(affirming Board’s conclusion, in context of *ex parte* appeal, that claims were indefinite “on grounds that they ‘contain[] words or phrases whose meaning is unclear.’”). Patent Owner fails to identify anything further in the specification or prosecution history that would inform those skilled in the art about the scope of the invention with reasonable certainty.

On this record, Petitioner has established, by a preponderance of the evidence, that claims 3-5 are indefinite under 35 U.S.C. § 112, second paragraph.

D. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 24, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 25, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 27). Patent Owner seeks to exclude Exhibits 1002, 1003, 1005-1007, 1011-1020, and 1026-1037.⁵ Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1002 and 1037

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit 1037—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-4; Paper 29, 1-3. Specifically, Patent Owner argues that the Petition does not need to cite

⁵ Patent Owner also lists Exhibits 1008, 1009, and 1024 (Mot. 1, 12-13), but does not provide any arguments with respect to those exhibits.

Patent Owner's characterization of the '458 patent in the complaint because the '458 patent itself is in evidence. Mot. 4. Moreover, according to Patent Owner, its characterization of the '458 patent is irrelevant and, even if relevant, cumulative to the '458 patent itself. *Id.* at 2-3.

We are persuaded that Exhibits 1002 and 1037 are offered not for the truth of the matter asserted (i.e., the content of the '458 patent), but as evidence of how Patent Owner has characterized the '458 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002 and 1037 are evidence of the content of a writing or that they are cumulative to the '458 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1037 are irrelevant, at least because its characterization of the '458 patent in prior proceedings is relevant to the credibility of its characterization of the '458 patent in this proceeding. Patent Owner contends that Exhibits 1002 and 1037 do not contradict its characterization of the '458 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner's characterization of the '458 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '458 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (PO Resp. 70-75; Prelim. Resp. 49-53).

Accordingly, we decline to exclude Exhibits 1002 and 1037.

2. Exhibits 1003, 1005-1007, 1009, 1011-1019, 1026-1032, and 1034-1036

Patent Owner seeks to exclude Exhibits 1003, 1005-1007, 1009, 1011-1019, 1026-1032, and 1034-1036 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 4-5; Paper 27, 2-3.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 4-5. Petitioner further contends that the Petition and Kelly Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 5.

Patent Owner argues that whether limitations of the challenged claims were well-known, routine, and conventional is only relevant after finding that a claim is directed to an abstract idea, which is not necessary in this case because the claims are not directed to an abstract idea. Mot. 6-7. Petitioner argues that “[i]t would be nonsensical to exclude the Prior Art Exhibits before the Board determines whether it needs to perform the second step of the *Mayo* analysis, as PO urges,” and that the claims are directed to an abstract idea. Opp. 6.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, Dr. Kelly attests that he reviewed these exhibits in reaching the opinions he

expressed in this case (*see, e.g.*, Ex. 1020 ¶ 9) and many of these exhibits are cited in the Petition's discussion of the § 101 challenge (*see* Pet. 45, 58-65). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1003, 1005-1007, 1009, 1011-1019, 1026-1032, and 1034-1036.

3. Exhibit 1020

Patent Owner moves to exclude Exhibit 1020, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 7-12; Paper 27, 3-4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because Dr. Kelly (1) did not employ scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) could not define abstract idea; (4) looked for an inventive concept over the prior art rather than over the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 7-12. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 27, 3.

Petitioner argues that (1) Dr. Kelly's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 8-11 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly's Declaration. Because Exhibit 1020 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Accordingly, we decline to exclude Exhibit 1020 in its entirety or any paragraph therein.

4. Exhibit 1033

Patent Owner moves to exclude Exhibit 1033, the April 8-9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner's expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, on the grounds that it is irrelevant hearsay. Mot. 12; Paper 27, 4. Petitioner argues that this testimony is not hearsay because it is a party admis-

sion under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12-15. Patent Owner argues that Dr. Katz's admissions as to what was in the prior art are irrelevant to a § 101 analysis because "[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional." Paper 27, 4.

We agree with Petitioner that Dr. Katz's testimony is not hearsay because it was offered against an opposing party, is one that Patent Owner adopted or believed to be true, and was made by a person, Dr. Katz, whom Patent Owner authorized to make a statement on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 2-5, 7, 9, and 12 of the '458 patent are determined to be *unpatentable* under 35 U.S.C. § 101;

FURTHER ORDERED that claims 3-5 of the '458 patent are determined to be *unpatentable* under 35 U.S.C. § 112, second paragraph;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00123
Patent 8,033,458 B2

[Entered January 27, 2017]

Before JENNIFER S. BISK, RAMA G. ELLURU, and
JEREMY M. PLENZLER, *Administrative Patent
Judges*.

PLENZLER, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

INTRODUCTION

Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 2-5, 7, 9, and 12 of U.S. Patent No. 8,033,458 B2 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ On November 10, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 2-5, 7, 9, and 12 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claims 3-5 are indefinite under 35 U.S.C. § 112, second paragraph. Inst. Dec. 23. Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response. Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 29 (“Notice Resp.”).

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 2-5, 7, 9, and 12 of the ’458 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claims 3-5 of the ’458 patent are indefinite under 35 U.S.C. § 112, second paragraph. Paper 31 (“Final Dec.”), 2-3, 35-36. Patent Owner requests rehearing of the Final Decision only with respect to patent ineligibility of the challenged claims under § 101. Paper 32 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that the challenged claims are directed to patent-ineligible subject matter. Req. Reh'g 3.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*², *Enfish*³, and *Bascom*⁴. *Id.* at 5-11. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was

² *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

³ *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

⁴ *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Although Patent Owner repeatedly states that “the Board misapprehends Smartflash’s argument” (see, e.g., Req. Reh’g 5, 10), it offers no explanation as to how we misapprehended or overlooked any particular “matter [that] was previously addressed in a motion, an opposition, or a reply.” In fact, Patent Owner does not cite to its papers even once when alleging an argument was misapprehended with respect to these cases. See *id.* at 5-11. Rather than providing a proper request for rehearing, addressing particular matters that we previously allegedly misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made.

To the extent portions of the Request are supported by Patent Owner’s argument in the Patent Owner Response or in Patent Owner’s Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. See, e.g., Req. Reh’g 5, 7, 9 (noting that “[t]he Board rejected Smartflash’s argument” with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). The only paper cited by Patent Owner is our Final Decision, which, as noted above, addresses Patent Owner’s arguments related to *DDR Holdings* (Final Dec. 18-21), *Enfish* (*id.* at 12), and *Bascom* (*id.* at 21-23). Patent Owner’s Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the chal-

lenged claims and those addressed in *McRO*⁵ and *Amdocs*⁶, which were issued after Patent Owner’s Notice was filed. Req. Reh’g 11-15. Patent Owner alleges that we overlooked the Federal Circuit’s decisions in *McRO* and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11-12), and concluding that

Because the challenged claims are a technological improvement over the then-existing systems and methods, and limit transfer and retrieval of content data based on use rules in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13 (citing Ex. 1001, 26:27-35 (claim 3)). But *McRO* does not stand for the general proposition that use of rules to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that “the claimed improvement [was] allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human anima-

⁵ *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

⁶ *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

tors.” *Id.* at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective* process performed by human artists into a mathematically *automated* process executed on computers (i.e., the processes were fundamentally different). *Id.* at 1314. The Court explained that “it [was] the incorporation of the claimed rules, not the use of the computer, that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations “where the claimed computer-automated process and the prior method were carried out in the same way.” *Id.* (citing *Parker v. Flook*, 437 U.S. 584, 585-86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims “merely implement an old practice in a new environment.” Final Dec. 12 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue in *McRO*. *FairWarning*, 839 F.3d at 1094-95. In *FairWarning*, the Court explained that “[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries” and that it is the “incorporation of a computer, *not* the claimed rule, that purportedly ‘improve[s] [the] existing technological process.’” *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the “use rule” in claim 3, for example, is merely a condition for “provid[ing]

external access to the data item” that the ’458 patent explains “will normally be dependent upon payments made for data stored on the data carrier” (i.e., allowing access when the data has been purchased). Ex. 1001, 9:22-24.

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that “the challenged claims of the ’458 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use an unconventional technological approach.” Req. Reh’g 14-15 (citing PO Resp. 49)⁷. We disagree.

In *Amdocs*, the Court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* The Court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases).” *Id.* The Court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300-1301. When determining that the claim was patent-eligible, the Court explained that the “enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed

⁷ This is the only instance where one of Patent Owner’s papers is cited in the Request.

fashion to solve a particular technological problem.” *Id.* at 1301. The Court distinguished the claim from the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that the “enhancing limitation . . . necessarily incorporates the invention’s distributed architecture—an architecture providing a technological solution to a technological problem,” which “provides the requisite ‘something more’ than the performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, “[t]he ’458 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components.” Final Dec. 15. Unlike the generic components at issue in *Amdocs*, the generic components recited in claims 2-5, 7, 9, and 12 of the ’458 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See* Final Dec. 20-24. Claims 2-5, 7, 9, and 12 of the ’458 patent simply recite generic memories and data types with no description of the underlying implementation or programming.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00193¹
Patent 8,061,598 B2

[Entered March 30, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00120 (Patent 8,061,598 B2) was consolidated with
this proceeding.

INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claim 7 (the “challenged claim”) of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”). On April 2, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claim 7 (“the challenged claim”) is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of the same claim of the ’598 patent based on the same ground. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00120 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings.³ Paper 29; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120, (Paper 13).

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 20,

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ For purposes of this decision, we will cite only to Samsung’s Petition.

“PO Resp.”) and Petitioner filed a Reply (Paper 31, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 43 (“Tr.”).

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claim 7 of the ’598 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

In a previous covered business method patent review, CBM2014-00108, we issued a Final Written Decision determining claim 26 of the ’598 patent unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, (PTAB Sept. 25, 2015) (Paper 50).

C. The ’598 Patent

The ’598 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29-55. The ’598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the Internet with less fear of piracy. *Id.* at 2:11-15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59-67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-5. The '598 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49-52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

D. Challenged Claim

Petitioner⁴ challenges claim 7 of the '598 patent. Claim 7 depends from claim 1, which is not explicitly challenged in this proceeding. Claims 1 and 7 recite the following:

1. A portable data carrier comprising:
 - an interface for reading and writing data from and to the portable data carrier;
 - content data memory, coupled to the interface, for storing one or more content data items on the carrier;
 - use rule memory to store one or more use rules for said one or more content data items;
 - a program store storing code implementable by a processor;
 - and a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,

⁴ We refer to Samsung and Apple collectively as “Petitioner.”

wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1001, 25:54-67.

7. A portable data carrier as claimed in claim 1, further comprising payment data memory to store payment data and code to provide the payment data to a payment validation system.

Id. at 26:25-28.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '598 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 7 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20-32. According to Petitioner, the challenged claim is directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D.

in support of its Petition.⁵ Ex. 1003. Patent Owner argues that the subject matter claimed by claim 7 is statutory because it is “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy on the Internet.” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)).

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, the challenged claim recites a “machine,” i.e., a “portable data carrier,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of

⁵ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 3-4. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude Dr. Bloom’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion to exclude, below.

nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claim is directed to the abstract idea of “enabling limited use of paid-for/licensed content.” Pet. 23. Although Patent Owner does not concede, in its brief, that the challenged claim is directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9-20; *see also* Paper 43 (transcript of oral hearing) 46:21-47:11 (Patent Owner arguing that the subject matter of the claim is not an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that the challenged claim is drawn to a patent-ineligible abstract idea. Specifically, the challenged claim is directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 7 recites “payment data memory to store payment data and code to provide the payment data to a payment validation system.” Furthermore, as discussed above, the ’598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20-55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59-2:4. The ’598 patent makes clear that the crux of the claimed subject matter is restricting access to stored data

based on supplier-defined access rules and validation of payment. *Id.* at 1:59-2:15.

Although the Specification refers to data piracy on the Internet, the challenged claim is not limited to the Internet. The underlying concept of the challenged claim, particularly when viewed in light of the Specification, is conditioning and controlling access to content based upon payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the Specification and the language of the challenged claim, that claim 7 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360

(“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the ’598 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Pet. Reply 11 (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 7 of the ’598 patent does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of the challenged claim are generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 23-27; Pet. Reply 11-19.

a. Technical Elements

Petitioner argues that the challenged claim is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the ’598 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4-5, 16:46-49, 21:33-38). Patent Owner disagrees, arguing that the challenged claim is patentable because it “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the under-

lying abstract idea.” PO Resp. 11 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’598 patent treats as well-known all potentially technical aspects of the challenged claim, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 13 (citing Ex. 1003 ¶ 24; Ex. 1001, 4:4-5, 16:46-53, 18:7-11). With respect to the “portable data carrier” recited in claim 1, for example, the Specification states it may be a generic device such as “a standard smart card.” Ex. 1001, 11:27-29; *see also id.* at 14:25-29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. With respect to the “payment validation system” recited in claim 7, the Specification states that it “may be part of the data supplier’s computer systems or it may be a separate e-payment system.” *Id.* at 8:63-65; *see also* 13:36-38 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”).

Further, the claimed computer code performs generic computer functions, such as storing, retrieving, receiving, reading, evaluating, and enabling access to. *See* Pet. 23-29; Pet. Reply 14-16. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is

undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claim 7 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 11. The challenged claim recites several memories, including “content data memory,” “use rule memory,” “a program store,” and “payment data memory,” and several data types, including “data,” “content data items,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). Patent Owner does not point to any inventive concept in the ’598 patent related to the way these memories or data types are constructed or used. In fact, the ’598 patent simply discloses these memories and data types with no description of the underlying implementation or programming that results in these data constructs. *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claim does not cover a “particular machine.”

Pet. 29-31; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claim does not transform an article into a different state of thing. Pet. 31-32.

Thus, we determine, the potentially technical elements of the claim are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claim is directed to statutory subject matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged claim is “directed to a particular device that can download and store digital content into a data carrier along with at least one use rule,” and that

By using a system that combines on the data carrier the digital content, at least one use rule, payment data, and “code to provide the payment data to a payment validation system,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected, and additional content can be obtained.

Id. at 10.

Petitioner responds that the challenged claim is distinguishable from the claims in *DDR Holdings*. Pet. Reply 17-19. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of

the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that the challenged claim is distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claim “[is] rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy on the Internet.” PO Resp. 1. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 16-17 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1001, 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on conditioning and controlling access to content only when payment is validated. *See* Pet. Reply 16-19.

Even accepting Patent Owner’s assertion that the challenged claim addresses data piracy on the Internet (PO Resp. 1), we are not persuaded that it does so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claim and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claim of the ’598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 7 of the ’598 patent recites “code to provide the payment data to a payment validation system.” There is no language in

this claim, in claim 1 from which it depends, or in the Specification, that demonstrates that the generic computer components—“code to provide the payment data” and “payment validation system”—function in an unconventional manner or employ sufficiently specific programming. Instead, unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of the challenged claim, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial, Inc.*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claim, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data based on payment, as in the challenged claim, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claim comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, writing data to a data carrier, and transmitting a portion of the payment validation data does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to

view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claim is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claim includes an “inventive concept” because of the specific combination of elements in the challenged claim, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’598 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 8 (quoting Ex. 1001, 5:29-33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content, the use rules, and payment data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* Patent Owner concludes that “[b]y comparison, unlike a system as claimed, when a DVD was physically rented for a rental period, there was no mechanism associated with the DVD to purchase additional content.” *Id.* at 8-9.

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of infor-

mation—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content. *See, e.g.*, Pet. 35 (citing Ex. 1006, 11:25-27 (“The application embeds a digital code in every copy of the Content that defines the allowable number of secondary copies and play backs.”), 37-38 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content))). Because the concept of combining the content and conditions for providing access to the content on the same device was known, it does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the challenged claim “preempts all effective uses of the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 27. Patent Owner responds that the challenged claim does not result in inappropriate preemption. PO Resp. 12-17. According to Patent Owner, the challenged claim does not attempt to preempt every application of the idea, but rather recites a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 12-13 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing

alternatives shows that the challenged claim does not raise preemption concerns. *Id.* at 15, 17.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 19-22 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claim is drawn to an abstract idea and does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 19); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 20).

We are not persuaded by either argument. Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Patent Owner also does not provide any authority for its assertion that “[t]he question of whether claim 7 is directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issue to be raised in the present proceeding.” PO Resp. 20.

3. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 7 of the '598 patent is unpatentable under § 101.

MOTIONS TO EXCLUDE

A. Petitioner's Motion to Exclude

Petitioner seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 36, 3. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested

relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Petitioner's Motion to Exclude is *denied*.

Petitioner seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1-20 and in Exhibit 2057 at 193:17-194:8 and 195:5-16 as (1) irrelevant under Federal Rules of Evidence ("FRE") 401 and 402 (Paper 36, 4-6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7-8). Petitioner argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is "unrelated to the instant CBM proceeding" and "is of no consequence to the validity of the patent claims at issue." *Id.* at 4. Petitioner adds that "[Petitioner], during its direct examination of Dr. Bloom, never opened [the] door to such questions." *Id.* at 8.

We are not persuaded by Petitioner's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claim at issue, but for purposes of challenging the credibility of Petitioner's expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding an issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Petitioner seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6-7. Petitioner argues that in these excerpts, "[Patent Owner] attempted to solicit testimonies from Dr. Bloom as to whether 'the SiriusXM Internet Radio product that allows off-line playback [is] a subscription-based product'" and that "[Patent Owner] further asserted that . . . 'Dr. Bloom refused to testify about its operation alleging the information was confiden-

tial.” *Id.* at 6 (citing PO Resp. 6). According to Petitioner, because “Dr. Bloom *has not* been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6-7.

We also are not persuaded by this argument. Petitioner does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Petitioner, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

B. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003-1006, 1028, and 1039. Paper 31, 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom’s testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 31, 1-9. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent

Owner, this is because Dr. Bloom's declaration "does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions." *Id.* at 2. Patent Owner also seeks to exclude this testimony under FRE 702 because "the Board cannot assess under FRE 702 whether Dr. Bloom's opinion testimony is 'based on sufficient facts or data,' is 'the product of reliable principles and methods,' or if Dr. Bloom 'reliably applied the principles and methods to the facts of the case.'" *Id.* at 3-4.

Petitioner counters that consistent with the requirements of 37 C.F.R. § 42.65, "Dr. Bloom's testimony discloses underlying facts and data on which his opinions were based." Paper 38, 4. Petitioner also argues that experts are not required to recite the "preponderance of the evidence" standard expressly. *Id.* at 3-4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom's Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4-5.

We are not persuaded by Patent Owner's arguments. Dr. Bloom has a Bachelor in Electrical Engineering, and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15-17. He also has decades of experience in relevant technologies. *Id.* ¶¶ 5-14. We are, therefore, not persuaded by Patent Owner's argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to

recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23-112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 31, 5-6. Because these paragraphs also support Petitioner’s assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 23-26 and 113-128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. Paper 31, 6. According to Patent Owner, these paragraphs “relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert” and should be excluded under FRE 401, 402, 62, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 129-137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. Paper 31, 6-7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration.

See Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102-107, 122, 123-125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. Paper 31, 7-10. Petitioner responds to these objections by filing, as supplemental evidence, previously-served supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 38, 9-11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 41, 4-5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

2. Exhibits 1004–1006

Patent Owner seeks to exclude Exhibits 1004-1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 31, 10-11.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content’” and, thus, are relevant to the question of patent eligibility. Paper 38, 11.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. Exhibit 1028

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom Declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 11. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the '598 patent. *Id.*

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’598 Patent mimics such payment operations” and is, therefore, not irrelevant. Paper 38, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

4. Exhibit 1039

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner’s Reply, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 12. According to Patent Owner, the document has an alleged publication after the effective filing date of the '598 patent. *Id.* Patent Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced

evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1039 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 38. Petitioner does, however, address the relevance of this document in its Pet. Reply (Paper 28), stating that Exhibit 1039 was replied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '598 Patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Pet. Reply 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

ORDER

Accordingly, it is:

ORDERED that claim 7 of the '598 patent is determined to be *unpatentable*;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00193¹
Patent 8,061,598 B2

[Entered June 10, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00120 (Patent 8,061,598 B2) was consolidated with
this proceeding.

INTRODUCTION

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claim 7 of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 2 (“Pet.”). On April 2, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claim 7 (“the challenged claim”) is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of the same claim of the ’598 patent based on the same ground. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00120 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings. Paper 29; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120 (Paper 13).

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 20, “PO Resp.”) and Samsung and Apple (collectively, “Petitioner”) filed a Reply (Paper 28, “Pet. Reply”) to Patent Owner’s Response.

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claim 7 of the '598 patent is unpatentable. Paper 45 ("Final Dec."), 27.

Patent Owner requests rehearing of the Final Decision. Paper 46 ("Request" or "Req. Reh'g"). Having considered Patent Owner's Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that claim 7 is directed to patent-ineligible subject matter. Req. Reh'g 1. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claim and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5-10) and alleged differences between the challenged claim and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner’s arguments regarding *DDR Holdings*, Patent Owner simply notes that “the issue of whether the claim was similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 1, 10-12.” Request 6 n.3. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “the issue of whether Claim 7 is directed to an abstract idea was previously addressed. *See* PO Resp. 9-20; *see also* Tr. 46:21-47:11” (*id.* at 10 n.5) and “the issue of whether the claim contains ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 11-12” (*id.* at 12 n.7). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed,

generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner's arguments are either new or were addressed in our Final Decision. For example, Patent Owner's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 10-12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* PO Resp. *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner's argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh'g 6 (citing Final Dec. 14) ("The Board rejected Patent Owner's reliance on *DDR Holdings* (at 14), holding that Claim 7 was not 'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.'"). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5-6, 12-15) were addressed at pages 9-12 and 16-17 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6) were addressed at pages 17-20 of our Final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 6-9) were addressed at pages 12-16 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner's Request does not apprise us of sufficient reason to modify our Final Decision.

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ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

[Service List Omitted]

363a

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00017
Patent 8,061,598 B2

[Entered March 30, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed a Corrected Petition to institute covered business method patent review of claims 1, 2, 7, 15, and 31 of U.S. Patent No. 8,061,598 B2 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 9 (“Pet.”). We instituted a covered business method patent review (Paper 22, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 2, 15, and 31 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Because we had already instituted a review of claim 7 under § 101 in CBM2014-00193, we declined to institute a review of claim 7 under this ground in this case. *Id.* at 16.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 32, “PO Resp.”) and Petitioner filed a Reply (Paper 34, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 44 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1, 2, 15, and 31 of the ’598 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

The ’598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*,

Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex. 2014); *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex. 2015). Paper 43, 4-5.

In a previous covered business method patent review, CBM2014-00108, we issued a Final Written Decision determining that claim 26 is unpatentable under 35 U.S.C. § 103. CBM2014-00108, Paper 50.

We also concurrently issue a Final Written Decision in CBM2014-00193 finding that claim 7 of the '598 patent is directed to patent-ineligible subject matter under 35 U.S.C. § 101.

C. The '598 Patent

The '598 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1201, 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29-55. The '598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11-15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59-67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.*

The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-5. The '598 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:49-52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Challenged Claims

The claims under review are claims 1, 2, 15, and 31 of the '598 patent. Claims 1 and 31 are independent, and claims 2 and 15 depend from claim 1. Claims 1 and 31 recite the following:

1. A portable data carrier comprising:
 - an interface for reading and writing data from and to the portable data carrier;
 - content data memory, coupled to the interface, for storing one or more content data items on the carrier;
 - use rule memory to store one or more use rules for said one or more content data items;
 - a program store storing code implementable by a processor; and
 - a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,
- wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1201, 25:54-67.

31. A method of controlling access to content data, the method comprising:

receiving a data access request from a user for a content data item, reading the use status data and one or more use rules from parameter memory that pertain to use of the requested content data item;

evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted; and

enabling access to the content data item responsive to a determination that access to the content data item is permitted.

Id. at 28:18-30.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '598 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 1, 2, 7, 15, and 31 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 26-38. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.*

Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy.” PO Resp. 1.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine”—i.e., a “portable data carrier” (claim 1)—and a “process”—i.e., a “method” (claim 31)—under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that

claim the building blocks of human ingenuity—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 26. Specifically, Petitioner contends that “[m]ethod claim 31 and device claims 1, 2 and 15 are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 29. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persua-

sively explain how the claimed subject matter escapes this classification. PO Resp. 9-20; *see also* Paper 44 (transcript of oral hearing), 46:21-47:11 (Patent Owner arguing that the challenged claims do not cover an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to content (claims 1, 2, 15, and 31). For example, claim 1 recites “code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.” Claim 31 recites “evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted” and “enabling access to the content data item responsive to a determination that access to the content data item is permitted.”

As discussed above, the '598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20-55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of that data by internet users who may not even realize that it is pirated. *Id.* The '598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59-2:4. The '598 patent makes clear that the crux

of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59-2:15.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 1, 2, 15 and 31 of the '598 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations

omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the Challenged Claims do nothing more than recite routine, conventional computer functions in implementing an abstract idea.” Pet. Reply 8. We are persuaded that claims 1, 2, 15, and 31 of the ’598 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 30-36.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 30-31 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct

memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 11-12 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’598 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 5-8, 13-14 (citing Ex. 1201, 4:4-5, 16:46-50, 18:7-11). With respect to the “portable data carrier” recited in claim 1, for example, the Specification states it may be a generic device such as “a standard smart card.” Ex. 1201, 11:27-29; *see also id.* at 14:25-29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6.

Further, the claimed computer code performs generic computer functions, such as storing, retrieving, receiving, reading, evaluating, and enabling access to. *See* Pet. 32-33. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1, 2, 15, and 31 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. *See* PO Resp. 11-12. The challenged

claims generically recite several memories, including “content data memory,” “use rule memory,” “a program store,” and “payment data memory,” and generically recite several data types, including “data,” “content data items,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’598 patent related to the way these memories or data types are constructed or used. In fact, the ’598 patent simply discloses these memories and data types with no description of the underlying implementation or programming. See *Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 38; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an

invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 38.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is “‘necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier the digital content data item and at least one use rule (claim 1), and “code to provide access to the at least one content data item in accordance with the at least one use rule” (claim 2), or “a content access PIN memory store to store a PIN number for controlling access to the content data memory” (claim 15), or “evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted; and enabling access to the content data item responsive to a determination that access to the content data item is permitted” (claim 31), access control to the digital content data item can be continuously enforced prior to access to the digital content data item, allowing subsequent use (e.g., playback) of the digital

content to be portable and disconnected, and additional content can be obtained.

Id. at 10-11.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 9-17. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over "the 'brick and mortar' context" because "[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party." *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify "how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites "using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page." *Id.* at

1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”—that of “data content piracy”—(PO Resp. 1), and “address the technological problem created by the nature of digital content and the Internet” (*id.* at 11-12). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 10-13 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts of compact discs, the pay TV industry, software data, and DVDs. *Id.* at 11 (citing Ex. 1219 ¶ 77; Ex. 1201, 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1215, 1:13-23. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on controlling access based on payment or rules. *See* Pet. Reply 11-12 (citing Ex. 1219 ¶¶ 37, 75-77; Ex. 1208, Abstract, 4:27-35).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 10-12), we are not persuaded that they do so by achieving a result that overrides the routine

and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 2 of the '598 patent recites “code to provide access to the at least one content data item in accordance with the at least one use rule.” There is no language in this claim, in any of the other challenged claims, or in the specification of the '598 patent, that demonstrates that the generic computer components—“code to provide access” and “content data item” and “use rule”—function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to provide access,” “content data item,” and “use rule” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.” *Ultramercial, Inc.*, 772 F.3d at 716. This limitation merely relies on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Add-

ing routine additional hardware, such as “interfaces,” “memory,” “program store,” and “processor,” and routine additional steps such as receiving an access request for content, reading use status data and use rules, evaluating use status data using the use rules, and enabling access to the content does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultra-commercial* than to those at issue in *DDR Holdings*.

c. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’598 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 7 (quoting Ex. 1201, 5:29-33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content, the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id. at 7–8.

As Petitioner notes, the concepts of continuous enforcement, and subsequent, portable, and disconnected use are not recited in the challenged claims. Pet. Reply 6 n.2. We additionally note that none of the challenged claims recite “partial use status data.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the payment data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions (including payment validation) for providing access to the content. *See, e.g.*, Pet. 7-8 (citing Ex. 1216); Ex. 1216, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 40 (citing Ex. 1212); Ex. 1212, Abstract (describing “[a]

system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 10-11)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

The Petition states that the “broad functional nature [of the challenged claim] firmly triggers preemption concerns.” Pet. 36. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 13-20. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea, but rather recites a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 13 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 18–20.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “under-

gird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 17-20 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice

amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (the “co-pending litigation”) with Patent Owner (PO Resp. 20-21); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 21).

We are not persuaded by the first argument because Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). We also are not persuaded by the second argument because Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims of the ’598 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 21.

3. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1, 2, 15, and 31 of the ’598 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 38, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 41, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 42). Patent Owner seeks to exclude Exhibits 1202-1208, 1211, 1212-1219, and 1225-1227. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

1. Exhibit 1202

Patent Owner seeks to exclude Exhibit 1202—the First Amended Complaint filed by Patent Owner in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-3; Paper 42, 1-2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’598 patent in the complaint because the ’598 patent itself is in evidence. Mot. 2. Moreover, according to Patent Owner, its characterization of the ’598 patent is irrelevant and, even if relevant, cumulative to the ’598 patent itself. *Id.* at 2-3.

We are persuaded that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the ’598 patent), but as evidence of how Patent Owner has characterized the ’598 patent. Thus, Patent Owner has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the ’598 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the ’598 patent in prior proceedings is relevant to the credibility of its characterization of the ’598 patent in this proceeding. Patent Owner contends that Exhibit 1202 does not contradict its characterization of the ’598 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner’s characterization of the ’598 patent in prior proceedings is relevant to Patent

Owner's contention in this proceeding that the '598 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Paper 18 (Preliminary Response), 5-10).

Accordingly, we decline to exclude Exhibit 1202.

2. Exhibit 1205

Patent Owner seeks to exclude Exhibit 1205 as irrelevant under FRE 401 and 402 because it is not cited in the Petition or the Wechselberger Declaration,¹ and our Decision to Institute did not base any of its analysis on that exhibit. Mot. 3-4.

Petitioner does not oppose excluding Exhibit 1205. Opp. 3 n.1.

Petitioner asserts no basis for Exhibit 1205 to remain in this proceeding. Moreover, as Petitioner notes, it does not rely on Exhibit 1205, and neither our Decision on Institution nor this Final Written Decision rely on that exhibit. Accordingly, we determine that it is appropriate to exclude Exhibit 1205.

3. Exhibits 1203, 1204, 1206-1208, 1211-1218, and 1225-1227

Patent Owner seeks to exclude Exhibits 1206-1208, 1211, 1214-1218, and 1225-1227 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5-6; Paper 42, 2. Patent Owner also seeks to exclude Exhibits 1203, 1204, 1212, and 1213 as irrelevant under FRE 401 and 402 because those references are not the basis for any invalidity grounds for which covered business method reviewed was instituted. Mot. 7-8; Paper 42, 2.

¹ Declaration of Anthony J. Wechselberger. Ex. 1219.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 2-3. Petitioner further contends that the Petition and Wechselberger Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 4.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, with respect to Exhibits 1206-1208, 1211, 1214-1218, and 1225-1227, Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 2019 ¶¶ 36-55, 81-85, App. C.) and Exhibit 1226 is cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 35). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1203, 1204, 1206-1208, 1211-1218, and 1225-1227.

4. *Exhibit 1219*

Patent Owner moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8; Paper 42, 2-3. Specifically, Patent Owner contends that the declaration does not disclose the underlying facts or

data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Mot. 9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Mot. 10-11; Paper 42, 2-3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Opp. 5 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Patent Owner has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Patent Owner has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether a petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and

whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Patent Owner further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 30-98 from the declaration. Mot. 11-12. Specifically, Patent Owner states:

Paragraphs 30-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. § 103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Mot. 11–12.

Because this review is under § 101, analyses of the state of the prior art, which includes analyses of the level of skill of a skilled artisan and the scope of the challenged claims, is relevant to the second prong of the *Alice* and *Mayo* inquiry. Therefore, we decline to exclude these paragraphs.

Patent Owner also requests that we exclude paragraphs 69-98 of the Exhibit 1219 because these paragraphs “deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

ORDER

Accordingly, it is:

ORDERED that claims 1, 2, 15, and 31 of the '598 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *granted-in-part* and *denied-in-part*;

FURTHER ORDERED that Exhibit 1205 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,¹
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00017
Patent 8,061,598 B2

[Entered June 10, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Apple has been dismissed as a Petitioner. Paper 49, 8.

INTRODUCTION

Apple Inc. (“Petitioner”) filed a Corrected Petition to institute covered business method patent review of claims 1, 2, 7, 15, and 31 of U.S. Patent No. 8,061,598 B2 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 9 (“Pet.”). We instituted a covered business method patent review (Paper 22, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 2, 15, and 31 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Because we had already instituted a review of claim 7 under § 101 in CBM2014-00193, we declined to institute a review of claim 7 under this ground in this case. *Id.* at 16.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 32, “PO Resp.”) and Petitioner filed a Reply (Paper 34, “Pet. Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claims 1, 2, 15, and 31 of the ’598 patent are unpatentable. Paper 46 (“Final Dec.”), 26.

Patent Owner requests rehearing of the Final Decision. Paper 48 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that claims 1, 2, and 15 ("the challenged claims") are directed to patent-ineligible subject matter.² Req. Reh'g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5-10) and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner's previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner's arguments regarding

² Patent Owner does not seek rehearing with respect to claim 31.

DDR Holdings, Patent Owner simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 1, 10-12.” Request 7 n.3. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are abstract ideas was previously addressed. See PO Resp. 10-22; see also Tr. 46:21-47:11” (*id.* at 10 n.5) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. See PO Resp. 11-12” (*id.* at 12 n.7). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. See 37 C.F.R. § 42.71.

Patent Owner’s arguments are either new or were addressed in our Final Decision. For example, Patent Owner’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 10-12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (see Paper 32 (PO Resp.)

passim (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner's argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh'g 6-7 (citing Final Dec. 15) ("The Board rejected Patent Owner's reliance on *DDR Holdings* (at 15), holding that the challenged claims were not 'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.'). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5-6, 12-15) were addressed at pages 9-12 and 16-18 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6) were addressed at pages 18-20 of our Final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 6-10) were addressed at pages 12-16 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner's Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00131
Patent 8,061,598 B2

[Entered November 10, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed a Petition to institute covered business method patent review of claims 3-6, 8-14, 16-30, and 32-41 of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 1 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). On November 16, 2015, we instituted a covered business method patent review (Paper 8, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 3-6, 8-14, 16-25, 27-30, and 32-41 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 23. Because a final written decision determining claim 26 of the ’598 patent to be unpatentable under § 103 had already issued in CBM2014-00108, we declined to institute a review of claim 26 under § 101 in this case. *Id.* at 5-7.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 18, “PO Resp.”) and Petitioner filed a Reply (Paper 23, “Pet. Reply”) to Patent Owner’s Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 30 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 31 (“Notice Resp.”).

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 32 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 3-6, 8-14, 16-25, 27-30, and 32-41 of the '598 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters

The '598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex. 2014); *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex. 2015). Paper 43, 4-5.

We have issued three previous Final Written Decisions in reviews challenging the '598 patent. In CBM2014-00108, we found claim 26 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108 (PTAB Sept. 25, 2015) (Paper 50). In CBM2014-00193, we found claim 7 unpatentable under 35 U.S.C. § 101. *Samsung Electronics America, Inc. v. Smartflash LLC*, Case CBM2014-00193 (March 30, 2016) (Paper 45). In CBM2015-00017, we found claims 1, 2, 15, and 31 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, CBM2015-00017 (March 30, 2016) (Paper 46).

C. The '598 Patent

The '598 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make

proprietary data available over the internet without authorization. *Id.* at 1:29-55. The '598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11-15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59-67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-5. The '598 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:49-52 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.").

D. Challenged Claims

The claims under review are claims 3-6, 8-14, 16-25, 27-30, and 32-41 of the '598 patent. Inst. Dec. 23. Of the challenged claims, claims 21, 27, 29, 35, 39, 40, and 41 are independent. Claims 3-6, 8-14 and 16-20 depend from independent claim 1 (held unpatentable under § 101 in CBM2015-00017). Claims 22-25 depend from independent claim 21. Claim 28 depends from independent claim 27. Claim 30 depends from independent claim 29. Claims 32-34 depend, directly or indirectly, from independent claim 31 (held unpatentable under § 101 in CBM2015-00017). Claims 36-38 depend from inde-

pendent claim 35. Independent claims 21 and 35 are illustrative and recite the following:

21. A portable data carrier comprising:

- use rule memory to store one or more use rules for a content data item;

- an interface for reading and writing the one or more use rules from and to the portable data carrier;

- a program store storing code implementable by a processor; and

- a processor coupled to [the] use rule memory, the interface and to the program store for implementing code in the program store,

- wherein the code comprises code for storing and accessing the one or more use rules in the use rule memory.

Ex. 1001, 27:17-29.

35. A method of controlling access to content data using a data carrier, the data carrier comprising:

- use rule memory to store one or more use rules for a content data item and use status data;

- the method comprising:

- receiving a data access request from a user for the content data item,

- reading the use status data and one or more use rules from the data carrier that pertain to use of the requested content data item;

- evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted; and

enabling access to the content data item responsive to a determination that access to the content data item is permitted.

Ex. 1001, 28:43-59.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '598 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 3-6, 8-14, 16-25, 27-30, and 32-41 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 43--79. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Dr. John P. J. Kelly in support of its Petition.² Ex. 1019. Patent Owner argues that the challenged

² In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 5-15. Because Patent Owner has filed a Motion to Exclude (Paper 26) that includes a request to exclude Dr. Kelly's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy.” PO Resp. 1-2.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine”—i.e., a “portable data carrier” (claims 3-6, 8-14, 16-25, 27-30) or a “data access terminal” (claims 39, 40, and 41)—and a “process”—i.e., a “method” (claims 32-38)—under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that

claim the building blocks of human ingenuity—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “payment for and/or controlling access to content.” Pet. 45. Specifically, Petitioner contends that “the challenged claims are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 48.

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing

the fundamental economic practice of conditioning and controlling access to content. For example, claim 21 recites “code for storing and accessing the one or more use rules in the use rule memory.” Claim 35 recites “evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted” and “enabling access to the content data item responsive to a determination that access to the content data item is permitted.”

As discussed above, the '598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20-55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of that data by internet users who may not even realize that it is pirated. *Id.* The '598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59-2:4. The '598 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59-2:15.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic prac-

tice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that claims 3-6, 8-14, 16, 17, 21-25, and 39-41 are directed to “machines, not abstract ideas” (PO Resp. 18, 19), that claims 18-20, 29, and 30 are “also a physical device” (*id.* at 19) and that method claims 32-38 “recite utilization of specific hardware . . . such that those claims are not abstract ideas” (*id.*). Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to “machines with specialized physical elements” or “real-world useful processes.” PO Resp. 22. As Petitioner correctly points out (Pet. Reply 2-3), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility “depend simply on the draftman’s art,” . . . thereby eviscerating the rule that “. . . abstract ideas are not patentable.”

Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347, 2358-59 (2014) (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp.

20-21. These decisions are non-precedential and distinguishable. In CBM2015-00113, the panel’s determination turned on a step requiring “correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier” and on the Petitioner’s formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, Paper 7 (Oct. 19, 2015), 13. Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because they “correlate use status data and/or use rules with content” (PO Resp. 21). As the panel in CBM2015-00113 explained, however, the claims at issue there required “particular types of searching processes”—i.e., “a non-exhaustive, near neighbor search”—that are different than the abstract idea alleged by Petitioner in that proceeding. *Id.* at 12-13. In this case, none of the challenged claims recite a specific search process by which use rules would be correlated with content data items. Some challenged claims do not even recite “content data items” (e.g., claims 21, 26, 29). Method claims 31 and 35 recite “reading the use status data and one or more use rules . . . that pertain to use of the requested content data item,” but “reading” does not imply “correlating, by the computer system using a non-exhaustive, near neighbor search.” With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 21-22. The panel’s determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147, Paper 14 (Nov. 30, 2015), 14 (“As in *DDR*, we are persuaded that, however the abstract idea is characterized, the ’854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner's Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are "directed to an improvement to computer functionality." Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are "directed to specific organization of data and defined sequences of transaction steps with distinct advantages over alternatives" (*id.* at 2) and, therefore, "like those in *Enfish*, 'are directed to a *specific implementation of a solution to a problem*,' in Internet digital commerce" (*id.* at 3) (emphasis added by Patent Owner). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they "merely implement an old practice in a new environment." *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), "perform[] generic computer functions such as storing, receiving, and extracting data" using "physical components" that "behave exactly as expected according to their ordinary use" and "merely provide a generic environment in which to carry out the abstract idea" of controlling access to content based on payment and/or rules. Notice Resp. 2-3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612-15). The limitations of the challenged claims—e.g., "code for storing," "code to provide access," "code to provide payment data," "code for encrypting,"—are so general that they

do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 3-6, 8-14, 16-25, 27-30, and 32-41 of the '598 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional func-

tions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept.” Pet. Reply 6. We are persuaded that claims 3-6, 8-14, 16-25, 27-30, and 32-41 of the ’598 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 53-73.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 53 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to

significantly more than the underlying abstract idea.” PO Resp. 31 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’598 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 6-10, 15 (citing Ex. 1001, 4:4-13, 11:28-29, 12:29-32, 16:46-50, 18:7-17). With respect to the “portable data carrier” recited in claim 21, for example, the Specification states it may be a generic device such as “a standard smart card.” Ex. 1001, 11:27-29; *see also id.* at 14:25-29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6.

Further, the claimed computer code performs generic computer functions, such as storing, retrieving, receiving, reading, evaluating, and enabling access to. *See* Pet. 56-59. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 3-6, 8-14, 16-25, 27-30, and 32-41 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. *See* PO Resp. 31 (quoting Ex. 2049, 19). The challenged claims gener-

ically recite several memories, including “use rule memory,” “a program store,” “memory,” and “content data memory,” and generically recite several data types, including “data,” “content data item,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’598 patent related to the way these memories or data types are constructed or used. In fact, the ’598 patent simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10-11 (“The claims do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 78; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 78-79.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is “‘necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 1-2, 26 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content. By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to

track whether a renter had “finished with” the DVD yet).

Id. at 17-18.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 13-16. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but still is able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at

1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”—that of “data content piracy”—(PO Resp. 1-2), and “address the technological problem created by the nature of digital content and the Internet” (*id.* at 27). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 13-14 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts of compact discs, the pay TV industry, software data, and DVDs. *Id.* at 14 (citing Ex. 1019 ¶ 76; Ex. 1001, 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1015, 1:13-23. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on controlling access based on payment or rules. *See* Pet. Reply 16 (citing *Ultra-mercial*, 772 F.3d at 712); *id.* at 13-14 (citing Ex. 1019 ¶¶ 48-52, 76).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 27), we are not persuaded that they do

so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 21 of the '598 patent recites “code for storing and accessing the one or more use rules in the use rule memory.” There is no language in this claim, in any of the other challenged claims, or in the Specification of the '598 patent, that demonstrates that the generic computer components —“code for storing” and “use rule”—function in an unconventional manner or employ sufficiently specific programming. Instead, the “code for storing” and “use rule” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.” *Ultramercial, Inc.*, 772 F.3d at 716. This limitation merely relies on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,”

“memory,” “program store,” and “processor,” and routine additional steps such as receiving an access request for content, reading use status data and use rules, evaluating use status data using the use rules, and enabling access to the content does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultra-mercials* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “recite a specific, discrete implemen-

tation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “arranged in a non-conventional and non-generic way,” namely by requiring “a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing technological process.’” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “the performance of the computer system itself.” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351). The concept of storing two different types of information in the same place or on the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 14-15 (citing Ex. 1015); Ex. 1015, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 32 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical

components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’598 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 17 (quoting Ex. 1001, 5:29-33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id. at 17-18.

As Petitioner notes, the concept of continuously enforced access control to digital content is not recited in the challenged claims. Pet. Reply 7 n.2. We additionally note that none of the challenged claims recite “partial use status data.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old

practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the payment data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions (including payment validation) for providing access to the content. *See, e.g.*, Pet. 14-15 (citing Ex. 1015); Ex. 1015, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 32 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 17-18)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 76. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 35-39. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea “because they contain elements not required to practice the abstract idea.” *Id.* at 32; *see also id.* at 39 (“the [challenged] claims do not tie up or prevent the use of the purported abstract idea . . . because there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what it claimed”). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 34-35. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 37-38.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292,

and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. See *Ariososa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Pet. Reply 18-20 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a

patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot." *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (the "co-pending litigation") with Patent Owner (PO Resp. 39-40); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 40-41); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 41-43); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 43-46). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d

1330, 1340-42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the claims of the ’598 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 40.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” See *Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); see also *Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); but see *American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 43 n.2

(quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

g. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that the challenged claims of the '598 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner's Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 26, "Motion"), Petitioner filed an Opposition to Patent Owner's Motion (Paper 27, "Opp."), and Patent Owner filed a Reply in support of its Motion (Paper 29). Patent Owner seeks to exclude Exhibits 1002-1004, 1006-1008, 1011-1019, and 1025-1038. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. See 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner's Motion to Exclude is *denied*.

1. Exhibit 1002 and 1038

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit 1038—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-4; Paper 29, 1-2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner's characterization of the '598 patent in the complaint because the '598 patent itself is in evidence. Mot. 4. Moreover, according to Patent Owner, its characterization of the '598 patent is

irrelevant and, even if relevant, cumulative to the '598 patent itself. *Id.* at 2-3.

We are persuaded that Exhibits 1002 and 1038 are offered not for the truth of the matter asserted (i.e., the content of the '598 patent), but as evidence of how Patent Owner has characterized the '598 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002 and 1038 are evidence of the content of a writing or that it is cumulative to the '598 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1038 are irrelevant, at least because its characterization of the '598 patent in prior proceedings is relevant to the credibility of its characterization of the '598 patent in this proceeding. Patent Owner contends that Exhibits 1002 and 1038 do not contradict its characterization of the '598 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner's characterization of the '598 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '598 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (PO Resp. 46-50; Prelim. Resp. 35-40).

Accordingly, we decline to exclude Exhibits 1002 and 1038.

2. Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1029, and 1031-1037

Patent Owner seeks to exclude Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1029, and 1031-1037 as irrelevant under FRE 401 and 402 because

they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5-6; Paper 29, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 4-5. Petitioner further contends that the Petition and Kelly Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 5.

Patent Owner argues that whether limitations of the challenged claims were well-known, routine, and conventional is only relevant after finding that a claim is directed to an abstract idea, which is not necessary in this case because the claims are not directed to an abstract idea. Mot. 6-7. Petitioner argues that “[i]t would be nonsensical to exclude the Prior Art Exhibits before the Board determines whether it needs to perform the second step of the *Mayo* analysis, as PO urges” (Opp. 6), and that the claims are directed to an abstract idea (*id.* at 6-8).

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, Dr. Kelly attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 1019 ¶ 9) and many of these exhibits are cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 49 (citing Exs. 1003, 1004, 1006, 1007), 61 (citing Ex. 1003,

1004, 1012, 1013, 1014)). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1029, and 1031-1037.

3. Exhibit 1019

Patent Owner moves to exclude Exhibit 1019, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 7-12; Paper 29, 3-4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because Dr. Kelly (1) does not employ scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) could not define an abstract idea; (4) looked for an inventive concept over the prior art rather than over the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 8-9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 29, 3.

Petitioner argues that (1) Dr. Kelly's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues; (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 10-11 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly's Declaration. Because Exhibit 1019 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1019 in its entirety or any paragraph therein.

4. Exhibit 1030

Patent Owner moves to exclude Exhibit 1030, the April 8-9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner's expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, on the grounds that it is irrelevant hearsay. Mot. 12; Paper 29, 4. Petitioner argues that this testimony is not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and

because, even if it is hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12-14. Patent Owner argues that Dr. Katz's admissions as to what was in the prior art are irrelevant to a § 101 analysis because "[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional." Paper 29, 4.

We agree with Petitioner that Dr. Katz's testimony is not hearsay because it was offered against an opposing party, is testimony that Patent Owner adopted or believed to be true, and was provided by a person, Dr. Katz, whom Patent Owner authorized to provide testimony on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that 3-6, 8-14, 16-25, 27-30, and 32-41 of the '598 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00131
Patent 8,061,598 B2

[Entered January 27, 2017]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and GREGG I.
ANDERSON, *Administrative Patent Judges*.
PLENZLER, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

INTRODUCTION

Apple Inc. (“Petitioner”) filed a Petition to institute covered business method patent review of claims 3-6, 8-14, 16-30, and 32-41 of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 1 (“Pet.”).¹ On November 16, 2015, we instituted a covered business method patent review (Paper 8, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 3-6, 8-14, 16-25, 27-30, and 32-41 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 23. Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 18, “PO Resp.”) and Petitioner filed a Reply (Paper 23, “Pet. Reply”) to Patent Owner’s Response. Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 30 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 31 (“Notice Resp.”).

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 3-6, 8-14, 16-25, 27-30, and 32-41 of the ’598 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 33 (“Final Dec.”), 3, 33. Patent Owner requests rehearing of the Final Decision with respect to patent ineligibility of the challenged claims under § 101. Paper 34 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that the challenged claims are directed to patent-ineligible subject matter. Req. Reh'g 3.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*², *Enfish*³, and *Bascom*⁴. *Id.* at 4-10. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or

² *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

³ *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

⁴ *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

overlooked. Although Patent Owner repeatedly states that “the Board misapprehends Smartflash’s argument” (*see, e.g.*, Req. Reh’g 5, 10), it offers no explanation as to how we misapprehended or overlooked any particular “matter [that] was previously addressed in a motion, an opposition, or a reply.” In fact, Patent Owner does not cite to its papers even once when alleging an argument was misapprehended with respect to these cases. *See id.* at 4-10. Rather than providing a proper request for rehearing, addressing particular matters that we previously allegedly misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made.

To the extent portions of the Request are supported by Patent Owner’s argument in the Patent Owner Response or in Patent Owner’s Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 5, 7, 9 (noting that “[t]he Board rejected Smartflash’s argument” with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). The only paper cited by Patent Owner is our Final Decision, which, as noted above, addresses Patent Owner’s arguments related to *DDR Holdings* (Final Dec. 16-20), *Enfish* (*id.* at 11-12), and *Bascom* (*id.* at 20-22). Patent Owner’s Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the challenged claims and those addressed in *McRO*⁵ and *Amdocs*⁶, which

⁵ *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

⁶ *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

were issued after Patent Owner's Notice was filed. Req. Reh'g 11-15. Patent Owner alleges that we overlooked the Federal Circuit's decisions in *McRO* and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11-12), and concluding that

[b]ecause the challenged claims are a technological improvement over the then-existing systems, and limit transfer and retrieval of content data based on payment validation and/or rules in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13 (citing Ex. 1001, 26:5-11 (claim 3)). But *McRO* does not stand for the general proposition that use of rules or conditions to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that “the claimed improvement [was] allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human animators.” *Id.* at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective* process performed by human artists into a mathematically *automated* process executed on computers (i.e., the processes were fundamentally different). *Id.* at 1314.

The Court explained that “it [was] the incorporation of the claimed rules, not the use of the computer, that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations “where the claimed computer-automated process and the prior method were carried out in the same way.” *Id.* (citing *Parker v. Flook*, 437 U.S. 584, 585-86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims “merely implement an old practice in a new environment.” Final Dec. 12 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue in *McRO*. *FairWarning*, 839 F.3d at 1094-95. In *FairWarning*, the Court explained that “[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries” and that it is the “incorporation of a computer, *not* the claimed rule, that purportedly ‘improve[s] [the] existing technological process.’” *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the “use rule” in claim 3, for example, is merely a condition for “provid[ing] access to the content data item” that the ’598 patent explains “will normally be dependent upon payments made for data stored on the data carrier” (i.e., allowing access when the data has been purchased). Ex. 1001, 9:22-24.

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that “the challenged claims of the ’598 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use[] unconventional technological approaches.” Req. Reh’g 14-15 (citing PO Resp. 30)⁷. We disagree.

In *Amdocs*, the Court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* The Court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases).” *Id.* The Court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300-1301. When determining that the claim was patent-eligible, the Court explained that the “enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem.” *Id.* at 1301. The Court distinguished the claim from the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that

⁷ This is the only instance where one of Patent Owner’s papers is cited in the Request.

the “enhancing limitation . . . necessarily incorporates the invention’s distributed architecture—an architecture providing a technological solution to a technological problem,” which “provides the requisite ‘something more’ than the performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, “[t]he ’598 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components.” Final Dec. 14. Unlike the generic components at issue in *Amdocs*, the generic components recited in claims 3-6, 8-14, 16-25, 27-30, and 32-41 of the ’598 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See* Final Dec. 19-23. Claims 3-6, 8-14, 16-25, 27-30, and 32-41 of the ’598 patent simply recite generic memories, data types, processors, and “code to” perform well-known functions with no description of the underlying implementation or programming.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00194¹
Patent 8,118,221 B2

[Entered March 29, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.

BISK, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00117 (Patent 8,118,221 B2) was consolidated with this proceeding.

INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 4 (“Pet.”). On March 30, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 20.

On April 30, 2015, Apple Inc. filed a Petition to institute covered business method patent review of the same claims of the ’221 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00117 (Paper 3, “Apple Mot.”). On August 8, 2015, we granted Apple’s Petition and consolidated the two proceedings.³ Paper 32; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117, slip. op. at 6-7 (PTAB Aug. 8, 2015) (Paper 11).

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ For purposes of this decision, we will cite only to Samsung’s Petition.

reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claim 32 of the '221 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

In a previous covered business method patent review, CBM2014-00102, we issued a Final Written Decision determining claims 1, 2, and 11-14 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102 (PTAB Sept. 25, 2015) (Paper 52). On March 18, 2016, however, Patent Owner filed an authorized motion to terminate this proceeding as to claims 2 and 11 stating that “[o]n March 4, 2016, pursuant to Fed. R. App. P. 42(b), the United States Court of Appeals for the Federal Circuit dismissed [Patent Owner’s] appeal of [the final written decision in CBM2014-00102 determining] that claims 2 and 11 of the '221 Patent are unpatentable.” Paper 50, 2.⁴

We are persuaded that the particular facts of this proceeding now counsel termination of our consideration of claims 2 and 11. 37 C.F.R. § 42.72. Claims 2 and 11 of the '221 patent have been finally cancelled and any decision we might reach in this proceeding regarding the patentability of these claims would be moot and purely advisory. We do not see how the just, speedy, and inexpensive resolution of every proceeding (37 C.F.R. § 42.1(b)) would be secured by rendering a final written decision regarding these claims. Accordingly, we terminate this review as to claims 2 and 11 and consider below only the remaining challenged claim—claim 32.

⁴ Fed. R. App. P. 42 provides for dismissal of an appeal at the request of the parties or on motion by the appellant.

C. The '221 Patent

The '221 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29-56. The '221 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the Internet with less fear of data piracy. *Id.* at 2:11-15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59-67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-4. The '221 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:41-44 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

D. Challenged Claim

Petitioner challenges claim 32 of the '221 patent. Claim 32 is independent and recites the following:

32. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:

- a first interface for communicating with the data supplier;

- a data carrier interface for interfacing with the data carrier;

- a program store storing code; and

- a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

- code to read payment data from the data carrier and to forward the payment data to a payment validation system;

- code to receive payment validation data from the payment validation system;

- code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier;

- code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system; and

- code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier.

Id. at 28:23-50.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '221 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 32 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 21-34. According to Petitioner, claim 32 is directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D. in support of its Petition.⁵ Ex. 1003. Patent Owner argues that the subject matter claimed by claim 32 is statutory because it is “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy.” Paper 24, (“PO Resp.”) 13.

⁵ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 3-4. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude Dr. Bloom's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, each claim 32 recites a “machine,” e.g., a “data access terminal,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed.

Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claim 32 is directed to the abstract idea of “enabling limited use of paid-for/licensed content.” Pet. 23. Although Patent Owner does not concede, in its brief, that claim 32 is directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 11-28; *see also* Paper 47 (transcript of oral hearing) 46:21-47:11 (Patent Owner arguing that the subject matter does not claim an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that claim 32 is drawn to a patent-ineligible abstract idea. Specifically, claim 32 is directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 32

recites “the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Furthermore, as discussed above, the ’221 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20-55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by internet users who may not even realize that it is pirated. *Id.* The ’221 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59-2:4. The ’221 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59-2:15.

Although the specification refers to data piracy on the Internet, claim 32 is not limited to the Internet. Claim 32 recites code to “read payment data from the data carrier,” “forward the payment data to a payment validation system,” “receive payment validation data from the payment validation system,” “retrieve data from the data supplier,” and “write the retrieved data into the data carrier.” The underlying concept of claim 32, particularly when viewed in light of the ’221 patent specification, is conditioning and controlling access to content based upon payment. As dis-

cussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '221 patent specification and the language of claim 32 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the '221 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed

content using ‘conventional’ computer systems and components.” Paper 31, (“Reply 11”) (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 32 of the ’221 patent does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claim 32 are generic features of a computer that do not bring claim 32 within § 101 patent eligibility. Pet. 24-29; Reply 11-21.

a. Technical Elements

Petitioner argues that claim 32 is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the ’221 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4-5, 16:46-49, 21:33-38). Patent Owner disagrees, arguing that claim 32 is patentable because it “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 18 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’221 patent specification treats as well-known all potentially technical aspects of claim 32, including the “data carrier,” “data supplier,” “payment validation system,” and “mobile communication device.” *See* Reply 13 (citing Ex. 1003 ¶ 24; Ex. 1001, 4:4-5,

16:46-50, 18:7-11). For example, the specification states the recited “data access terminal may be a conventional computer,” that the terminal memory “can comprise any conventional storage device,” and that a “data device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and communications bus.” *Id.* (quoting Ex. 1001, 4:4-5, 16:46-50, 18:7-11). In addition, the specification notes that the “data carrier” may be a generic device such as a “standard smart card.” Ex. 1001, 11:28-30; *see also id.* at 14:25-29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. The specification further indicates that the “payment system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:11-16, 8:18-22, 13:36-38 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”). Further, the claimed computer code performs generic computer functions, such as reading, receiving, transmitting, and outputting data. *See* Pet. 24-29; Reply 14-16. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claim 32 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. See PO Resp. 18. Claim 32 does not recite any particular or “distinct memories.” To the extent Patent Owner contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” See *Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the conventional manner is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claim 32 also recites several generic data types including, “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” “access rule,” “use rule data,” “user-stored data identifier data,” and “associated value data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). Patent Owner does not point to any inventive concept in the ’221 patent related to the way the recited data types are

constructed or used. In fact, the '221 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claim 32 does not cover a “particular machine.” Pet. 31-33; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claim 32 does not transform an article into a different state of thing. Pet. 33-34.

Thus, we determine the potentially technical elements of the claim are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that claim 32 is directed to statutory subject matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that claim 32 is “directed to particular devices that can download and store digital content into a data carrier” and “[b]y using a system that combines on the data carrier both the digital content and payment data that can be forwarded to a payment validation system, and by responding to payment validation data when obtaining digital content, the claimed data access terminals enable digital content to be obtained effectively and legitimately.”

Id. at 12-13. Patent Owner further argues that because claim 32 also “utilizes at least one access rule, also written to the data carrier,” “access control to the digital content can be continuously enforced prior to access to the digital content and allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.” *Id.* at 13.

Petitioner responds that claim 32 is distinguishable from the claims in *DDR Holdings*. Reply 19-21. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated

with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claim 32 is distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that claim 32 is “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “address[es] . . . a challenge particular to the Internet.” PO Resp. 13. Data piracy exists in contexts other than the Internet. *See* Reply 17 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1001 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by claim 32 is not rooted in specific computer technology, but is based on conditioning and controlling access to content only when payment is validated. *See* Reply 15-16.

Even accepting Patent Owner’s assertion that claim 32 addresses data piracy on the Internet (PO Resp. 13), we are not persuaded that it does so by achieving a result that overrides the routine and

conventional use of the recited devices and functions. In fact, the differences between claim 32 and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claim 32 of the '221 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 14-17. For example, Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with 3 limitations recited by claim 32: (1) “code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier”; (2) “code responsive to the payment validation data to . . . to write the retrieved data into the data carrier”; and (3) “code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” PO Resp. 16-17. Patent Owner, however, fails to identify how these limitations of claim 32, like the corresponding *DDR Holdings* limitation, do not “adher[e] to the routine, conventional functioning” of the technology being used. PO Resp. 14-24; *DDR Holdings*, 773 F.3d at 1258. Instead, unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of claim 32, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*,

788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

On the other hand, the claims at issue in *Ultramercial*, like claim 32, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data based on payment, as in claim 32, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claim 32 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, writing data to a data carrier, and transmitting a portion of the payment validation data does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claim 32 is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Patent Owner argues claim 32 includes an “inventive concept” because of the specific combination of elements in claim 32, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’221 patent specification: “[b]y combining digital rights management with content

data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 8-9 (quoting Ex. 1001, 5:29-33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* at 9. Thus, Patent Owner concludes that “[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD” and “there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.” *Id.*

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore,

the prior art discloses products that could store both content and conditions for providing access to the content. *See, e.g.*, Pet 39-40 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet 66 (citing Ex. 1005, 18:9-16 (“Defining usage rights in terms of a language *in combination with* the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.”)). To the extent Patent Owner argues that claim 32 covers storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times” (PO Resp. 9)), we do not agree that this, by itself, is sufficient to elevate claim 32 to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that “the ’221 patent claims preempt all effective uses of the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 29. Patent Owner responds that claim 32 does not result in inappropriate preemption. PO Resp. 25-36. According to Patent Owner, claim 32 does not

attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 25 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that claim 32 does not raise preemption concerns. *Id.* at 30-35.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to

gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Reply 21-24 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the challenged claim is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an "inventive concept" that is "sufficient to ensure that the claim in practice amounts to 'significantly more' than a patent on an ineligible concept." *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas "cannot be circumvented by attempting to limit the use of the formula to a particular technological environment," despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that "[w]here a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot." *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claim 32 is drawn to an abstract idea and does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a

patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 36-37); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 37-38).

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issue to be raised in the present proceeding.” PO Resp. 37.

3. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 32 of the '221 patent is unpatentable under § 101.

MOTIONS TO EXCLUDE

A. Samsung's Motion to Exclude

Samsung seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 38, 3. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Samsung's Motion to Exclude is *denied*.

Samsung seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1-20 and in Exhibit 2057 at 193:17-194:8 and 195:5-16 as (1) irrelevant under Federal Rules of Evidence ("FRE") 401 and 402 (Paper 38, 4-6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7-8). Samsung argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is "unrelated to the instant CBM proceeding" and "is of no consequence to the validity of the patent claims at issue." *Id.* at 4. Samsung adds that "Samsung, during its direct examination of Dr. Bloom, never opened [the] door to such questions." *Id.* at 8.

We are not persuaded by Samsung's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claim at issue, but for purposes of challenging the credibility of Samsung's expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding an issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Samsung seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6-7.

Samsung argues that in these excerpts, “Smartflash attempted to solicit testimonies from Dr. Bloom regarding operation of a SiriusXM Internet Radio product and that Patent Owner “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6 (citing PO Resp. 6). According to Samsung, because “Dr. Bloom *has not* been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6-7.

We also are not persuaded by this argument. Samsung does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Samsung, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

B. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003, 1004, 1005, 1006, 1028, and 1039. Paper 34, 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom’s testimony in Exhibit 1003 and additionally

seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 34, 1-9. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent Owner, this is because Dr. Bloom's declaration "does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions." Paper 34, 2. Patent Owner also seeks to exclude this testimony under FRE 702 because "the Board cannot assess under FRE 702 whether Dr. Bloom's opinion testimony is 'based on sufficient facts or data,' is 'the product of reliable principles and methods,' or if Dr. Bloom 'reliably applied the principles and methods to the facts of the case.'" Paper 34, 3-4.

Petitioner counters that consistent with the requirements of 37 C.F.R. § 42.65, "Dr. Bloom's testimony disclosed underlying facts and data on which his opinions were based." Paper 41, 4. Petitioner also argues that experts are not required to recite the "preponderance of the evidence" standard expressly. *Id.* at 3-4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom's Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4-5.

We are not persuaded by Patent Owner's arguments. Dr. Bloom has a Bachelor in Electrical Engineering,

and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15-17. He also has decades of experience in relevant technologies. *Id.* ¶¶ 5-14. We are, therefore, not persuaded by Patent Owner's argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the "preponderance of the evidence" standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23-112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 34, 5-6. Because these paragraphs also support Petitioner's assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 23-26 and 113-128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. Paper 34, 6, 7-9. According to Patent Owner, these paragraphs "relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert" and should be excluded under FRE 401, 402, 62, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 129-137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. Paper 34, 7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102-107, 122, 123, 125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. Paper 34, 7-9. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 41, 9-11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 44, 4-5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

2. Exhibits 1004-1006

Patent Owner seeks to exclude Exhibits 1004-1006 as irrelevant under FRE 401 and 402 because, while

cited, they were not instituted upon by the Board. Paper 34, 9-10.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content” and, thus, are relevant to the question of patent eligibility. Paper 41, 11-12.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. Exhibit 1028

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom Declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 34, 10. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the '221 patent. *Id.* at 10–11.

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the '221 patent mimics such payment operations” and is, therefore, not irrelevant. Paper 41, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

4. *Exhibit 1039*

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner's reply brief, as irrelevant and inadmissible under FRE 401 and 402. Paper 34, 11. According to Patent Owner, the document has an alleged publication after the effective filing date of the '221 patent. *Id.* Patent Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1039 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 41. Petitioner, however, does address the relevance of this document in its reply brief (Paper 31), stating that Exhibit 1039 was replied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '221 patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Paper 31, 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

ORDER

Accordingly, it is:

ORDERED that claim 32 of the '221 patent is determined to be *unpatentable*;

FURTHER ORDERED that Samsung's motion to exclude is *denied*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioners,

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00194¹
Patent 8,118,221 B2

[Entered June 10, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.

BISK, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00117 (Patent 8,118,221 B2) has been consolidated with this proceeding.

INTRODUCTION

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 4 (“Pet.”). On March 30, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of the same claims of the ’221 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00117 (Paper 3, “Apple Mot.”). On August 8, 2015, we granted Apple’s Petition and consolidated the two proceedings. Paper 32; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117, slip. op. at 6-7 (PTAB Aug. 8, 2015) (Paper 11).

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 23, “PO Resp.”) and Samsung and Apple (collectively,

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

“Petitioner”) filed a Reply (Paper 31, “Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claim 32 (“the challenged claim”) of the ’221 patent is unpatentable.⁴ Paper 51 (“Final Dec.”), 30.

Patent Owner requests rehearing of the Final Decision. Paper 52 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner’s Request is based on a disagreement with our determination that claim 32 is directed to

⁴ Claims 2 and 11 were canceled in a Final Written Decision of another proceeding—CBM2014-00102. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, (PTAB Sept. 25, 2015) (Paper 52). Because the Federal Circuit dismissed Patent Owner’s appeal of that decision, leaving claims 2 and 11 cancelled, we did not address those claims in the Final Written Decision of this proceeding. Final Dec. 3-4.

patent-ineligible subject matter. Req. Reh’g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claim and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5-10) and alleged differences between the challenged claim and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner’s arguments regarding *DDR Holdings*, Patent Owner simply notes that “the issue of whether the claim was similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 12-13.” Request 7 n.2. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “the issue of whether Claim 32 is an abstract idea was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 11-28; *see also* Tr. 46:21-47:11” (*id.* at 11 n.4) and “the issue of whether the Claim 32 contains ‘additional features’ was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 8-9; 25-36” (*id.* at 12 n.6). These generic citations to large portions of the record do not identify, with any

particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner's Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an "issue" (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner's arguments are either new or were addressed in our Final Decision. For example, Patent Owner's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 10-12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* PO Resp. *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner's argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh'g 7 (citing Final Dec. 15) ("The Board rejected Patent Owner's reliance on *DDR Holdings* (at 15), holding that Claim 7 was not 'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.>"). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5-7, 12-15) were addressed at pages 10-13 and 18-20 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6-7) were addressed at pages

20-22 of our Final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 7-10) were addressed at pages 14-18 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner's Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

GOOGLE, INC.,
Petitioner,
and

APPLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00126¹
Case CBM2015-00130
Patent 8,118,221 B2

[Entered November 10, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
and JEREMY M. PLENZLER, *Administrative Patent
Judges*.

BISK, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00126 has been consolidated with CBM2015-00130.

INTRODUCTION

A. Background

Google, Inc., filed a Petition to institute covered business method patent review of claim 3 of U.S. Patent No. 8,118,221 B2 (“the ’221 patent”). CBM2015-00126, Paper 3² (“’126 Pet.”). Apple Inc., also filed a Petition to institute covered business method patent review of claims 3-10, 12-31, and 33 of the ’221 patent. CBM2015-00130, Paper 2 (“Pet.”). On November 16, 2015, we instituted a covered business method patent review in CBM2015-00126 (Paper 8, “’126 Institution Decision” or “’126 Inst. Dec.”) based upon Google’s assertion that claim 3 is directed to patent ineligible subject matter under 35 U.S.C. § 101. CBM2015-00126, Inst. Dec. 19. The same day we instituted a covered business method patent review in CBM2015-00130 (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 3-10, 15-31, and 33 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 22 is indefinite under 35 U.S.C. § 112. CBM2015-00130, Inst. Dec. 25.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed Patent Owner Responses (CBM2015-00126, Paper 21 (“’126 PO Resp.”); CBM2015-00130, Paper 19 (“PO Resp.”) and Google and Apple each filed Replies (CBM2015-00126, Paper 22 (“’126 Reply”); CBM2015-00130, Paper 23 (“Reply”) to Patent Owner’s Response, respectively.

² Google filed two versions of the Petition: Paper 2, which is sealed and accessible to the parties and Board only, and Paper 3, which is a public version of the Petition containing a small portion of redacted text. For purposes of this Decision, we refer only to the public version of the Petition.

Patent Owner, with authorization, filed Notices of Supplemental Authority. CBM2015-00126, Paper 28; CBM2015-00130, Paper 30 (“Notice”). Google and Apple each filed Responses to Patent Owner’s Notices, respectively. CBM2015-00126, Paper 29 (“126 Notice Resp.”); CBM2015-00130, Paper 31 (“Notice Resp.”).

We held a joint hearing of both cases, along with several other related cases, on July 18, 2016. CBM2015-00126, Paper 30; CBM2015-00130, Paper 32 (“Tr.”).³ At the hearing, we discussed with all parties the possibility of consolidating these two cases because of the overlapping issues. Tr. 30:3-16, 72:11-73:12. No party objected. *Id.* Thus, we issue one opinion covering both CBM2015-00126 and CBM2015-00130.⁴

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 3-10, 15-31, and 33 of the ’221 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. We also determine that claim 22 is indefinite under 35 U.S.C. § 112.

B. Related Matters and Estoppel

We have issued two previous Final Written Decisions in reviews challenging the ’221 patent. In CBM2014-00102, we found claims 1, 2, and 11-14 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, (PTAB Sept. 25, 2015) (Paper 52). In CBM2014-00194, we

³ Unless otherwise noted (using “126” prior to the citation), all future citations in this Decision are to CBM2015-00130.

⁴ For purposes of this Decision, the term “Petitioner” refers to both Google and Apple.

found claim 32 unpatentable under 35 U.S.C. § 101. *Samsung Electronics America, Inc. v. Smartflash LLC*, Case CBM2014-00194 (PTAB Mar. 29, 2016) (Paper 51).

C. The '221 Patent

The '221 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001 1:21-25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29-56. The '221 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59-2:11. This combination allows data owners to make their data available over the Internet with less fear of data piracy. *Id.* at 2:11-15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59-67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1-4. The '221 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:41-44 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

D. Challenged Claims

The claims under review are claims 3-10, 15-31, and 33 of the '221 patent (the “challenged claims”). Inst. Dec. 24. Of the challenged claims, claim 17, 24, and 28 are independent, claims 3-10 depend directly or indirectly from unchallenged independent claim 1, claims 15 and 16 depend directly or indirectly from unchallenged independent claim 12, claims 18-23 depend directly or indirectly from challenged independent claim 17, claims 25-27 depend directly or indirectly from challenged independent claim 24, claims 29-31 depend directly or indirectly from challenged independent claim 28, and claim 33 depends from unchallenged independent claim 32. Claims 1, 3, 12, 17, and 24 are reproduced below:

1. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;
 - a data carrier interface for interfacing with the data carrier;
 - a program store storing code implementable by a processor; and
 - a processor, coupled to the first interface, to the data carrier interface, and to the program store for implementing the stored code, the code comprising:
 - code to read payment data from the data carrier and to forward the payment data to a payment validation system;
 - code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier.

Ex. 1001, 25:50-62.

3. A data access terminal as claimed in claim 1, further comprising code to transmit at least a portion of the payment validation data to the data supplier or to a destination received from the data supplier.

Id. at 25:62-65.

12. A method of providing data from a data supplier to a data carrier, the method comprising:
reading payment data from the data carrier;
forwarding the payment data to a payment validation system;
retrieving data from the data supplier; and
writing the retrieved data into the data carrier.

Id. at 27:1-16.

17. A data access device for retrieving stored data from a data carrier, the device comprising:
a user interface;
a data carrier interface;
a program store storing code implementable by a processor; and
a processor, coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;

code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and

code to access the stored data when access is permitted.

Id. at 27:1-16.

24. A method of controlling access to data from a data carrier, comprising:

retrieving use status data from the data carrier indicating past use of the stored data;

retrieving use rules from the data carrier;

evaluating the use status data using the use rules to determine whether access to data stored on the carrier is permitted; and

permitting access to the data on the data carrier dependent on the result of said evaluating.

Id. at 27:37-45.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '221 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 3-10, 15-31, and 33 as directed to patent-ineligible subject matter under 35

U.S.C. § 101. Pet. 39-76; '126 Pet. 18-33. According to Petitioner, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Google submits a declaration from Dr. Justin Douglas Tygar in support of its Petition.⁵ '126 Ex. 1002. Apple submits a declaration from Dr. John P. J. Kelly in support of its Petition.⁶ Ex. 1021. Patent Owner argues that the challenged claims are “directed to machines or useful processes, both patent eligible subject matter under § 101.” PO Resp. 20.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine,”—i.e., a “data access terminal,” (claims 3-10, 32, 33), a “data access system”

⁵ In its Response, Patent Owner argues that Dr. Tygar’s declaration should be given little or no weight. '126 PO Resp. 5-11. Because Patent Owner has filed a Motion to Exclude ('126 Paper 24, 1-8) that includes a request to exclude Dr. Tygar’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion to exclude, below.

⁶ In its Response, Patent Owner argues that Dr. Kelly’s declaration should be given little or no weight. PO Resp. 6-17. Because Patent Owner has filed a Motion to Exclude (Paper 26, 7-12) that includes a request to exclude Dr. Kelly’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion to exclude, below.

(claims 28-31), or a “data access device” (claims 17-23)—and a “process”—i.e., a “method” (claims 15, 16, 24-27)—under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is

“a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “controlling access to something based on validation that payment has been made” (’126 Pet. 21) or “payment for and/or controlling access to data” (Pet. 41). Specifically, Petitioner contends that “each challenged claim is drawn on its face to the concept of payment for and/or controlling access to data.” Pet. 43; *see also* ’126 Pet. 22 (“challenged claim 3 simply performs four steps inherent in the abstract idea of conditioning access on payment validation.”).

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to content. For example, claim 17 recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data.” Ex. 1001, 27:1-15.

As discussed above, the ’221 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely avail-

able compressed audio recordings. Ex. 1001, 1:20-55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by internet users who may not even realize that it is pirated. *Id.* The '221 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59-2:4. The '221 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59-2:15.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is controlling access to content based upon payment as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that claims 3-10, 15-31, and 33 are directed to “machines or useful processes, both patent eligible under § 101.” PO Resp. 20. Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to “various real-world structural components” or “real-world physical components.” PO Resp. 21. As Petitioner correctly points out (Reply 2–3), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility “depend simply on the draftman’s art,” . . . thereby eviscerating the rule that “. . . abstract ideas are not patentable.”

Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347, 2358-59 (2014) (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp. 23-26. These decisions are non-precedential and distinguishable. In CBM2015-00113, the panel’s determination turned on a step requiring “correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier” and on the Petitioner’s formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113 (PTAB Oct. 19, 2015) (Paper 7, 13). Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because they “correlate use status data and/or use rules with content” (PO Resp. 21). As the panel in CBM2015-00113 explained, however, the claims at issue there required “particular types of searching processes”—i.e., “a non-exhaustive, near neighbor search”—that are

different than the abstract idea alleged by Petitioner. CBM2015-00113, Paper 7, 12-13. In this case, none of the challenged claims recite a *specific* search process by which use rules would be correlated with content data items. Some challenged claims do not even recite “use rules” or “use rule data” (e.g., claims 12, 15). Method claim 16 recites “retrieving from the data supplier a stored data item identifier and associated value data and use rule data,” but “retrieving” does not imply “correlating, by the computer system” using a particular type of search. With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 25-26. The panel’s determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147 (PTAB Nov. 30, 2015) (Paper 14, 14) (“As in *DDR*, we are persuaded that, however the abstract idea is characterized, the ’854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner’s Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are “directed to an improvement to computer functionality.” Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are “directed to specific devices, systems, and methods for managing data to facilitate convenient and secure provision of digital content” (*id.* at 2) and, therefore, “like those in *Enfish*, ‘are directed to a *specific implementation of a solution to a problem*,’ in Internet digital commerce.” *Id.* at 3 (emphasis added by Patent Owner). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improve-

ment to the way computers operate. Instead, they “merely implement an old practice in a new environment.” *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), “perform[] generic computer functions such as storing, receiving, and extracting data” using “physical components” that “behave exactly as expected according to their ordinary use” and “merely provide a generic environment in which to carry out the abstract idea” of controlling access to content based on payment and/or rules. Notice Resp. 2-3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612-15). The limitations of the challenged claims—e.g., “code to read payment data,” “code to receive payment validation data,”—are so general that they

do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 3-10, 15-31, and 33 are directed to an abstract idea. See *Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs.*,

GmbH v. Guidewire Software, Inc., 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept.” Reply 6. Petitioner adds that “[t]he specification [of the ’221 patent] itself disclaims [the claimed hardware elements] as non-inventive.” *Id.* (citing Ex. 1001, 4:4-13, 11:28-29, 12:29-32, 13:35-38, 16:46-50, 18:7-17). We are persuaded that claims 3-10, 15-31, and 33 do not add an inventive concept sufficient to ensure that the patent in practice

amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 49-82; Reply 6-19; ’126 Pet. 25-31; ’126 Reply 8-12.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they are directed to an abstract idea and any “additional features” fall into “at the very most two categories—field of use limitations and generic computer implementations.” Pet. 49–50; Reply 6. Patent Owner disagrees, arguing that the challenged claims are patentable because they “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 40 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’221 patent Specification treats as well-known all potentially technical aspects of the challenged claims, including the “data carrier,” “data supplier,” “payment validation system,” and “mobile communication device.” *See* Reply 6 (citing Ex. 1001, 4:4-13, 11:28-29, 12:29-32, 13:35-38, 16:46-50, 18:7-17). For example, the Specification states the recited “data access terminal may be a conventional computer,”

that the terminal memory “can comprise any conventional storage device,” and that a “data device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and communications bus.” Ex. 1001, 4:4-5, 16:46-50, 18:7-11. In addition, the Specification notes that the “data carrier” may be a generic device such as a “standard smart card.” Ex. 1001, 11:28-30; *see also id.* at 14:25-29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. The Specification further indicates that the “payment system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:11-16, 8:18-22, 13:36-38 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”).

Further, the claimed computer code performs generic computer functions, such as reading, receiving, transmitting, and outputting data. *See* Pet. 53-55; Reply 7-10. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that the challenged claims “recite[s] specific ways of using distinct

memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 40. The challenged claims also recite several generic data types including, “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” “access rule,” “use rule data,” “user-stored data identifier data,” and “associated value data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). Patent Owner does not point to any inventive concept in the ’221 patent related to the way the recited data types are constructed or used. In fact, the ’221 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly

more than a patent on the [ineligible concept] itself.”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10-11 (“The claims do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 75-76; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state of thing. Pet. 75-76.

Thus, we determine the potentially technical elements of the claim are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 33 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier both the digital content and payment data that can be forwarded to a payment validation system and by responding to payment validation

data when obtaining digital content, the claimed data access terminals enable digital content to be obtained effectively and legitimately.

Id. at 32.

Patent Owner further argues that the “claimed computer code does, in fact, function in an unconventional manner by writing the retrieved data into the same carrier as the carrier from which the payment data was retrieved.” *Id.* at 36-37.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Reply 13-16. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically

generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” “the problem of data content piracy on the Internet.” PO Resp. 1-3. Data piracy exists in contexts other than the Internet. *See* Reply 13–14 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1001, 5:9-12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on conditioning and controlling access to content only when payment is validated. *See* Reply 16-17 (citing *Ultramercial*, 772 F.3d at 712).

Even accepting Patent Owner's assertion that the challenged claims address data piracy on the Internet (PO Resp. 1-3), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claims 1, 17, and 33 of the '221 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 34-46. For example, Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with 3 limitations recited by claim 32 (and inherited by claim 33): (1) "code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier"; (2) "code responsive to the payment validation data to . . . to write the retrieved data into the data carrier"; and (3) "code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system." PO Resp. 43-44. Patent Owner, however, fails to identify how these limitations of claim 33, like the corresponding *DDR Holdings* limitation, do not "adher[e] to the routine, conventional functioning" of the technology being used. PO Resp. 41-46; *DDR Holdings*, 773 F.3d at 1258. There is no language in claim 33, in any of the other challenged claims, or in the Specification of the '221 patent, that demonstrates that the generic

computer components function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to retrieve,” “code to . . . write,” and “code to . . . receive” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.” *Ultramercial, Inc.*, 772 F.3d at 716. These limitation merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “program store,” and “processor,” and routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, writing data to a data carrier, and transmitting a portion of the payment validation data does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions

on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultra-mercials* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “recite a specific, discrete implementation – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “arranged in a non-conventional and non-generic way,” namely by requiring “a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing techno-

logical process.” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “the performance of the computer system itself.” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351). The concept of storing two different types of information in the same place or on the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 10-11 (citing Ex. 1016); Ex. 1016, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 12-13 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’221 patent Specification: “[b]y combining digital rights management with content data storage using a single carrier,

the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 20 (quoting Ex. 1001, 5:29-33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content and payment data, access control to the digital content can be continuously enforced prior to access to the digital content and additional content can be purchased.” *Id.* Thus, Patent Owner concludes that “[b]y comparison, unlike a system as claimed, when a DVD was physically rented for a rental period there was no mechanism associated with the DVD to purchase additional content.” *Id.*

As Petitioner notes, the concept of continuously enforced access control to digital content are not recited in the challenged claims. Pet. Reply 7 n.2. Moreover, the concept of storing two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both content and conditions (including payment validation data) for providing access to the content. *See, e.g.*, Pet. 10-11 (citing Ex. 1016); Ex. 1016, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling

device which will disable the product at the end of the rental period.”); *see also* Pet. 12-13 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 18-20)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 73. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 55-62. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea “because they contain elements not required to practice the abstract idea.” *Id.* at 46; *see also id.* at 62 (“the [challenged] claims do not tie up or prevent the use of the purported abstract idea . . . because there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what it claimed”). Patent Owner also asserts that the existence of a large

number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 55-62. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 57-62.

Patent Owner's preemption argument does not alter our § 101 analysis. The Supreme Court has described the "pre-emption concern" as "undergird[ing] [its] § 101 jurisprudence." *Alice*, 134 S. Ct. at 2358. The concern "is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor." *Mayo*, 132 S. Ct. at 1303. "While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility." *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent "forecloses . . . future invention" to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 ("The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.").

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Reply 18-19 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the chal-

lenged claim is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (the “co-pending litigation”) with Patent Owner (PO Resp. 62-63); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 64); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 64-66); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 67-69). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the instituted claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 64.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See*

Riggin v. Office of Senate Fair Employment Practices, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705, 1710 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jillian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 67 n.4 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

3. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 3-10, 15-31, and 33 of the ’221 patent are unpatentable under § 101.

C. Indefiniteness

Petitioner contends that claim 22 is also unpatentable under 35 U.S.C. § 112, ¶ 2 as indefinite. Pet. 76-79. Petitioner’s basis for this challenge is that claim 22 recites the phrase “said use rules,” but lacks antecedent basis, even in claim 17, from which claim 22 depends (*id.* at 76–77).

Claim 22 depends from claim 17 and recites “wherein *said use rules* permit partial use of a data item stored on the carrier and further comprising code to write partial use status data to the data carrier when only part of a stored data item has been accessed.” Claim 17 does not recite the term “use rules,” but does recite “code to retrieve . . . *use rules data* indicating permissible use of data stored on the carrier” and “code to evaluate the use status data using the *use rules data*.” Petitioner notes that the Board has previously construed these two terms, in related patents, to have different meanings. Pet. 77 (citing Case No. CBM2014-00108 Paper 8, 7 (construing “use rule”); Case No. CBM2014-00112 Paper 7, 7 (construing “use rule data”). Petitioner, thus, contends that a person of ordinary skill would not understand whether claim 22 should properly recite “wherein *said use rules data* permit.” *Id.*

Patent Owner contends that “Petitioner’s allegation of ambiguity is disingenuous given that in the District Court litigation Petitioner provided a *single* claim construction definition for ‘use rule’ and ‘use rule data’ for various Smartflash patent claims.” PO Resp. 70. Patent Owner, however, does not provide evidence or even explain how, based on the claim constructions adopted in this proceeding, the term “said use rules” would have given clear notice of what is claimed to a person of ordinary skill in the art. *See* PO Resp. 70-71; Prelim. Resp. 38-40. In fact, Patent Owner offers no evidence regarding how one skilled in the art would understand “said use rules” in claim 22. *Id.*

Upon consideration of the entire record, we are persuaded sufficiently by Petitioner’s argument that a person of ordinary skill in the art would not know

that the antecedent basis for “said use rules” refers back to the “use rules data” introduced in claim 17. Although lack of antecedent basis alone is insufficient to render a claim indefinite, here the lack of antecedent basis introduces ambiguity into the claim. It is unclear whether claim 22 should recite “use rules” or “said use rules data,” rather than “said use rules.” As indicated above, we have construed “use rules” and “use rules data” differently. Accordingly, we are persuaded that claim 22 is amenable to two plausible claim interpretations, and we determine that the phrase “said use rules” does not inform those skilled in the art about the scope of the invention with reasonable certainty and, therefore, is indefinite under 35 U.S.C. § 112, ¶ 2. *In re Packard*, 751 F.3d 1307, 1311 (Fed. Cir. 2014) (affirming Board’s conclusion, in context of *ex parte* appeal, that claims were indefinite “on grounds that they ‘contain[] words or phrases whose meaning is unclear.’”).

MOTIONS TO EXCLUDE

A. Patent Owner’s Motion to Exclude in CBM2015-00126

Patent Owner seeks to exclude Exhibits 1002, 1004-09, 1014, 1015, and 1022-24. ’126 Paper 24 (“’126 Mot.”), 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1002

Patent Owner moves to exclude Exhibit 1002, the Tygar Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. ’126 Mot. 1-8; ’126 Paper

27, 1-2. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because he (1) did not employ scientifically valid reasoning or methodology because he did not establish a false positive rate or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) did not apply his methodology to non-Smartflash patents; (4) did not consider other possible abstract ideas; and (5) did not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Tygar in arriving at his conclusions. '126 Mot. 3-8. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Tygar's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." '126 Paper 29, 7.

Petitioner argues that (1) Dr. Tygar's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Tygar performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. '126 Paper 25 ("'126 Opp."), 2-5 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Tygar's Declaration. Because Exhibit 1002 relates to the underlying factual issues related to patent eligibility, we are not persuaded

that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1002 in its entirety or any paragraph therein.

2. Exhibits 1004-09, 1014, and 1022-24

Patent Owner seeks to exclude Exhibits 1004-09, 1014, and 1022-24 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. '126 Mot. 8-10.

Petitioner counters that all of these exhibits “are relevant to the state of the art—whether the technical limitations of the challenged claim were well-known, routine, and conventional” and, thus, are relevant to the question of patent eligibility. '126 Paper 27 (“'126 Opp.”), 5-8.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. Exhibit 1015

Patent Owner seeks to exclude Exhibit 1015—the Original Complaint filed by Patent Owner in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant

(FRE 401), and cumulative (FRE 403). '126 Mot. 11-13; '126 Paper 27, 3-4. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner's characterization of the '221 patent in the complaint because the '221 patent itself is in evidence. '126 Mot. 13. Moreover, according to Patent Owner, its characterization of the '221 patent is irrelevant and, even if relevant, cumulative to the '221 patent itself. *Id.* at 11-12.

We are persuaded that Exhibit 1015 is offered not for the truth of the matter asserted (i.e., the content of the '221 patent), but as evidence of how Patent Owner has characterized the '221 patent. Thus, Patent Owner has not persuaded us that Exhibit 1015 is evidence of the content of a writing or that it is cumulative to the '221 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1015 is irrelevant, at least because its characterization of the '221 patent in prior proceedings is relevant to the credibility of its characterization of the '221 patent in this proceeding. Patent Owner contends that Exhibit 1015 does not contradict its characterization of the '221 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. '126 Mot. 12. This argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes ('126 Opp. 9-10), Patent Owner's characterization of the '221 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '221 patent does not satisfy the "financial in nature" requirement for a covered business method patent review. '126 PO Resp., 15-20.

Accordingly, we decline to exclude Exhibit 1015.

B. Patent Owner's Motion to Exclude in CBM2015-00130

Patent Owner seeks to exclude Exhibits 1002, 1005-07, 1010, 1012-21, 1023, and 1031-43. Paper 26 ("Mot."), 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner's Motion to Exclude is *denied*.

1. Exhibit 1002 and 1043

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit 1043—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-4; Paper 29, 1-2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner's characterization of the '221 patent in the complaint because the '221 patent itself is in evidence. Mot. 4. Moreover, according to Patent Owner, its characterization of the '221 patent is irrelevant and, even if relevant, cumulative to the '221 patent itself. *Id.* at 2-3.

We are persuaded that Exhibits 1002 and 1043 are offered not for the truth of the matter asserted (i.e., the content of the '221 patent), but as evidence of how Patent Owner has characterized the '221 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002 and 1043 are evidence of the content of a writing or that it is cumulative to the '221 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1043 are irrelevant, at least because its characterization of the '221 patent in prior proceedings is relevant to the credibility of its

characterization of the '221 patent in this proceeding. Patent Owner contends that Exhibits 1002 and 1043 do not contradict its characterization of the '221 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Paper 27 ("Opp."), 2), Patent Owner's characterization of the '221 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '221 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (PO Resp. 71-75; Paper 7 (Preliminary Response), 46-50).

Accordingly, we decline to exclude Exhibits 1002 and 1043.

2. Exhibits 1005-07, 1010, 1012-20, 1023, 1031-35, and 1038-42

Patent Owner seeks to exclude Exhibits 1005-07, 1010, 1012-20, 1023, 1031-35, and 1038-42 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Mot. 4-5.

Petitioner counters that all of these exhibits "are relevant to the state of the art—whether the technical limitations of the challenged claim were well-known, routine, and conventional" and, thus, are relevant to the question of patent eligibility. Opp. 4-5.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. *Exhibit 1021*

Patent Owner moves to exclude Exhibit 1021, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 7-12; Paper 29, 3-4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, Dr. Kelly (1) does not employ scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) could not define an abstract idea; (4) looked for an inventive concept over the prior art rather than over the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 8-9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 29, 3.

Petitioner argues that (1) Dr. Kelly's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive

concept despite being directed to an abstract idea. Opp. 9-11 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly's Declaration. Because Exhibit 1021 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1021 in its entirety or any paragraph therein.

4. Exhibit 1028

Patent Owner moves to exclude Exhibit 1028, the April 8-9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner's expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-0112, on the grounds that it is irrelevant hearsay. Mot. 12; Paper 29, 4. Petitioner argues that this testimony is not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12-14. Patent Owner argues that Dr. Katz's admissions as to what was in the prior art are irrelevant to a § 101 analysis because "[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional." Paper 29, 4.

We agree with Petitioner that Dr. Katz's testimony is not hearsay because it was offered against an

opposing party, is one that Patent Owner adopted or believed to be true, and was made by a person, Dr. Katz, whom Patent Owner authorized to make a statement on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 3-10, 15-31, and 33 of the '221 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motions to exclude are *denied*;

FURTHER ORDERED that CBM2015-00126 is consolidated with CBM2015-00130;

FURTHER ORDERED that CBM2015-00126 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceeding are to be made in CBM2015-00130;

FURTHER ORDERED that a copy of this Decision will be entered into the record of CBM2015-00126 and CBM2015-00130;

FURTHER ORDERED that the case caption in CBM2014-00126 shall be changed to reflect consolidation with this proceeding in accordance with the caption above;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

GOOGLE, INC.,
Petitioner,
and

APPLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00126¹
Case CBM2015-00130
Patent 8,118,221 B2

[Entered January 27, 2017]

Before JENNIFER S. BISK, RAMA G. ELLURU,
and JEREMY M. PLENZLER, *Administrative Patent
Judges*.

BISK, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00126 has been consolidated with CBM2015-00130.

INTRODUCTION

Google, Inc., filed a Petition to institute covered business method patent review of claim 3 of U.S. Patent No. 8,118,221 B2 (“the ’221 patent”). CBM2015-00126, Paper 3² (“’126 Pet.”). Apple Inc., also filed a Petition to institute covered business method patent review of claims 3-10, 12-31, and 33 of the ’221 patent. CBM2015-00130, Paper 2 (“Pet.”). On November 16, 2015, we instituted a covered business method patent review in CBM2015-00126 (Paper 8, “’126 Institution Decision” or “’126 Inst. Dec.”) based upon Google’s assertion that claim 3 is directed to patent ineligible subject matter under 35 U.S.C. § 101. CBM2015-00126, Inst. Dec. 19. The same day we instituted a covered business method patent review in CBM2015-00130 (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 3-10, 15-31, and 33 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 22 is indefinite under 35 U.S.C. § 112. CBM2015-00130, Inst. Dec. 25.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed Patent Owner Responses (CBM2015-00126, Paper 21 (“’126 PO Resp.”); CBM2015-00130, Paper 19 (“PO Resp.”) and Google and Apple each filed Replies (CBM2015-00126, Paper 22 (“’126 Reply”); CBM2015-00130, Paper 23 (“Reply”) to Patent Owner’s Response, respectively.

Patent Owner, with authorization, filed Notices of Supplemental Authority. CBM2015-00126, Paper 28;

² Google filed two versions of the Petition: Paper 2, which is sealed and accessible to the parties and Board only, and Paper 3, which is a public version of the Petition containing a small portion of redacted text. For purposes of this Decision, we refer only to the public version of the Petition.

CBM2015-00130, Paper 30 (“Notice”). Google and Apple each filed Responses to Patent Owner’s Notices, respectively. CBM2015-00126, Paper 29 (“126 Notice Resp.”); CBM2015-00130, Paper 31 (“Notice Resp.”).

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 3-10, 15-31, and 33 of the ’221 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. CBM2015-00130, Paper 33 (“Final Dec.”).³ We also determined that claim 22 is indefinite under 35 U.S.C. § 112. Patent Owner requests rehearing of the Final Decision with respect to patent ineligibility of the challenged claims under § 101. Paper 34 (“Request” or “Req. Reh’g”), 3 n.2. Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner’s Request is based on a disagreement with our determination that the challenged claims

³ Unless otherwise noted (using “126” prior to the citation), all future citations in this Decision are to CBM2015-00130.

are directed to patent-ineligible subject matter. Req. Reh'g 3.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*⁴, *Enfish*⁵, and *Bascom*⁶. *Id.* at 5-11. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. *See, e.g.*, Final Dec. 12-14, 19-25. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Although Patent Owner repeatedly states that the Board "misapprehends" Smartflash's argument (*see, e.g.*, Req. Reh'g 5, 10), it does not offer sufficient explanation as to how we misapprehended or overlooked any particular "matter [that] was previously addressed in a motion, an opposition, or a reply." Rather than providing a proper request for rehearing, addressing particular matters that we previously allegedly misapprehended or overlooked, Patent Owner's Request provides new briefing by expounding on argument already made.

⁴ *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

⁵ *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

⁶ *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

To the extent portions of the Request are supported by Patent Owner’s argument in the Patent Owner Response or in Patent Owner’s Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 5, 7, 9-10 (noting that the Board “rejected” Smartflash’s argument with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). Our Final Decision, as noted above, addresses Patent Owner’s arguments related to *DDR Holdings* (Final Dec. 19-23), *Enfish* (*id.* at 12-14), and *Bascom* (*id.* at 24-25). Patent Owner’s Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the challenged claims and those addressed in *McRO*⁷ and *Amdocs*⁸, which were issued after Patent Owner’s Notice was filed. Req. Reh’g 11-15. Patent Owner alleges that we overlooked the Federal Circuit’s decisions in *McRO* and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11-13), and concluding that

[b]ecause the challenged claims are a technological improvement over the then-existing systems,

⁷ *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

⁸ *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

and limit transfer and retrieval of content based on payment and/or access rules in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13-14 (citing Ex. 1001, 25:59-61 (claim 1), 26:42-67 (claim 15), 27:36-55). But *McRO* does not stand for the general proposition that use of rules or conditions to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that “the claimed improvement [was] allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human animators.” *Id.* at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective* process performed by human artists into a mathematically *automated* process executed on computers (i.e., the processes were fundamentally different). *Id.* at 1314. The Court explained that “it [was] the incorporation of the claimed rules, not the use of the computer, that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations “where the claimed computer-automated process and the prior method were carried out in the same way.” *Id.* (citing *Parker v. Flook*, 437 U.S. 584, 585-86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims “merely implement an old practice in a new environment.” Final Dec. 13 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue in *McRO*. *FairWarning*, 839 F.3d at 1094-95. In *FairWarning*, the Court explained that “[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries” and that it is the “incorporation of a computer, *not* the claimed rule, that purportedly ‘improve[s] [the] existing technological process.’” *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the “code responsive to the payment validation data to retrieve data from the supplier and to write the retrieved data into the data carrier” of claim 1 and the steps of “receiving payment validation data and transmitting at least a portion of the payment validation to the data supplier,” “reading a stored value from the data carrier,” “comparing the store value with said value data,” and “outputting to a user the result of said comparing” of claim 15 describe “performing generic computer functions such as storing, receiving, and extracting data” that “behave exactly as expected according to their ordinary use.” *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607, 612-15 (Fed. Cir. 2016).

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that “the challenged claims of the ’221 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use[] an unconven-

tional technological approach.” Req. Reh’g 15 (citing PO Resp. 45). We disagree.

In *Amdocs*, the Court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* The Court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases).” *Id.* The Court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300-1301. When determining that the claim was patent-eligible, the Court explained that the “enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem.” *Id.* at 1301. The Court distinguished the claim from the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that the “enhancing limitation . . . necessarily incorporates the invention’s distributed architecture—an architecture providing a technological solution to a technological problem,” which “provides the requisite ‘something more’ than the performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, “[t]he ’221 patent Specification treats as well-known all potentially technical aspects of the challenged claims,” which simply require generic computer components. Final Dec. 16. Unlike the generic components at issue in *Amdocs*, the generic components recited in 3-10, 15-31, and 33 of the ’221 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See id.* at 17-21. The challenged claims of the ’221 patent simply recite generic memories, data types, processors, and “code to” perform well-known functions with no description of the underlying implementation or programming. *See id.* at 14-19.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD.,
SAMSUNG ELECTRONICS AMERICA, INC.,
and GOOGLE INC.,
Petitioners,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00031²
Patent 8,336,772 B2

[Entered May 26, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.

ANDERSON, *Administrative Patent Judge*.

¹ “Petitioner” refers to Apple Inc., Samsung Electronics LTD, Samsung Electronics America, Inc., and Google Inc., collectively.

² Samsung’s challenge to claims 5 and 10 of US Patent No. 8,336,772 B2 (“the ’772 patent”) in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Google’s challenge to claims 1, 5, and 10 of the ’772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 37, 2-3.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 1, 5, 8, and 10 of U.S. Patent No. 8,336,772 B2 (Ex. 1201, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 1, 5, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2015, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On June 29, 2015, Samsung filed a Motion for Joinder (CBM2015-00059, Paper 11) seeking to consolidate its challenge to claims 5 and 10 with the covered

business method patent review in CBM2015-00031.³ On August 5, 2015, we granted Samsung's Petition and consolidated Samsung's challenge to claims 5 and 10 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 5, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the '772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6⁴, "Google Petition"). On June 29, 2015, Google filed a "Motion for Joinder" of its newly filed case with previously instituted Apple cases CBM2015-00031 and CBM2015-00032. CBM2015-00132 (Paper 10, "Google Mot."). On December 1, 2015, we granted Google's Petition and consolidated Google's challenge to claims 1, 5, 9, and 10 of the '772 patent with this proceeding.⁵ Paper 31; *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. at 11 (PTAB Dec. 1, 2015) (Paper 14). Google's challenge to claims 14, 21, and 22 of the '772 patent

³ Samsung's Motion requested that: its challenge to claims 5 and 10 be consolidated with this case; its challenge to claim 14 be consolidated with CBM2015-00032; and its challenge to claims 26 and 32 be consolidated with CBM2015-00033. CBM2015-00032 and CBM2015-00033 were both filed by Apple and involve claims 14, 19, and 21, and claims 25, 26, 30, and 32, respectively, of the '772 patent. Final Written Decisions in CBM2015-00032 and CBM2015-00033 are issued concurrently with this Decision.

⁴ We refer to the redacted version of the Petition.

⁵ For purposes of this Decision, we will cite only to Apple's Petition and the record in CBM2015-00031.

were consolidated with CBM2015-00032. *Id.* On December 16, 2015, we revised our institution order to consolidate Google’s challenge to claims 9 and 21 with CBM2015-00133, instead of with this proceeding and CBM2015-00032, respectively. Paper 37, 3.

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 43, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1, 5, 8, and 10 of the ’772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’772 Patent

The ’772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1201, 1:24-28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32-58. The ’772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62-2:3. According to the ’772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10-18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62-2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4-7. The '772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59-62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Illustrative Claims

Petitioner challenges claims 1, 5, 8, and 10 of the '772 patent. Claims 1 and 8 are independent and claims 5 and 10 depend from claims 1 and 8, respectively. Claims 1 and 8 are reproduced below:

1. A handheld multimedia terminal, comprising:
a wireless interface configured to interface with a wireless network for accessing a remote computer system;
non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
a program store storing processor control code;
a processor coupled to said non-volatile memory, said program store, said wireless interface and
a user interface to allow a user to select and play said multimedia content;

a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;

wherein the processor control code comprises:

- code to request identifier data identifying one or more items of multimedia content stored in the non-volatile memory;

- code to receive said identifier data;

- code to present to a user on said display said identified one or more items of multimedia content available from the nonvolatile memory;

- code to receive a user selection to select at least one of said one or more of said stored items of multimedia content;

- code responsive to said user selection of said at least one selected item of multimedia content to transmit payment data relating to payment for said at least one selected item of multimedia content via said wireless interface for validation by a payment validation system;

- code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said at least one selected item of multimedia content;

and

- code to control access to said at least one selected item of multimedia content on said terminal responsive to said payment validation data,

- wherein said user interface is operable to enable a user to select said at least one item of multimedia content available from said non-volatile memory; and

wherein said user interface is operable to enable a user to access said at least one selected item of multimedia content responsive to said code to control access permitting access to said at least one selected item of multimedia content.

Ex. 1201, 25:65-26:43.

8. A data access terminal for controlling access to one or more content data items stored on a data carrier, the data access terminal comprising:

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items stored on the data carrier;

code to receive said identifier data;

code to present to a user via said user interface said identified one or more content data items available from the data carrier;

code to receive a user selection selecting at least one of said one or more of said stored content data items;

code responsive to said user selection of said selected content data item to transmit payment data relating to payment for said selected content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said content data item; and

code to control access to said selected content data item responsive to the payment validation data.

Ex. 1201, 27:15-41.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁶ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278-79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

⁶ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”).

B. Statutory Subject Matter

Petitioner challenges claims 1, 5, 8, and 10 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 22-35. Petitioner submits a declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁷ in support of its petition. Ex. 1219.

According to Petitioner, claims 1, 5, 8, and 10 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 22-35. Smartflash argues that claims 1, 5, 8, and 10 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ – that of digital data piracy.” PO Resp. 18 (citation omitted). Specifically, Smartflash asserts that “the claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” *Id.* at 17.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, claims 1 and 5

⁷ In its Response, Patent Owner argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 4-11. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

recite a “handheld multimedia terminal” and claims 8 and 10 recite a “data access terminal,” which fall into the “machine” category under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-1334 (“It is a *building block*, a *basic conceptual framework* for organizing information . . .” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is

“a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 1, 5, 8, and 10 are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 23; *see id.* at 24-27. Although Smartflash does not concede, in its Patent Owner Response, that claims 1, 5, 8, and 10 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 15-25 (Patent Owner Response arguing that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Tr. 7:19-22 (Petitioner stating that “Patent Owner has made no argument that its claims are not directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) (emphasis added), *id.* at 7:22-23 (Petitioner also stating “[Patent Owner] has never disputed the articulation of those abstract ideas”).

We are persuaded that claims 1, 5, 8, and 10 are drawn to the abstract idea of conditioning and controlling access to content based on, for example, payment. Specifically, independent claim 1 recites “code to receive payment validation data . . . for said at least one selected item of multimedia content.”

Independent claim 8 recites “code to control access to said selected content data item responsive to the payment validation data.” Claim 5 depends from claim 1 and recites “code to retrieve supplementary data via said wireless interface and output said supplementary data to said user using said display.” Claim 10 depends from claim 8 and recites “said data access terminal is integrated with a mobile communications device and audio/video player.”

Furthermore, as discussed above, the ’772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:23-57. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:61-2:3. The ’772 patent makes clear that the crux of the claimed subject matter is restricting access to stored content based on validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 1, 5, 8, and 10 are not limited to the Internet. Claim 1, from which claim 5 depends, recites “code to” perform various functions related to the abstract idea. Independent claim 1 recites, among other things, code to: “request identifier data,” “receive said identifier data,” “present to a user . . . multimedia content,” “receive a user selection . . . of

multimedia content,” “responsive to said user selection . . . to transmit payment data relating to payment for . . . multimedia content,” “receive payment validation data . . . for said at least one selected item of multimedia content,” and “control access to said at least one selected item of multimedia content.” Independent claim 8, from which claim 10 depends, recites code to “request identifier data,” “receive said identifier data,” “present to a user . . . one or more content items,” “receive a user selection . . . of said stored content data items,” “response to said user selection . . . to transmit payment data relating to payment for said selected content item for validation by a payment validation system,” “to receive payment validation data,” and “control access to said selected content data item responsive to the payment validation data.” The underlying concept of claims 1, 5, 8, and 10 particularly when viewed in light of the ’772 patent specification, is conditioning and controlling access to content based on, for example, payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’772 patent specification and the claim language, that each of claims 1, 5, 8, and 10 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenged claims are either field of use limitations—limiting the ideas of payment and controlling access to content to payment for retrieving “data” and controlling access to content based on “payment data”—or generic computer implementations, which Petitioner argues is insufficient to bring the claims within § 101 patent eligibility. Pet. 27-32. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13-14. Petitioner persuades us that claims 1, 5, 8, and 10 of the ’772 patent do not add an inventive

concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 1, 5, 8, and 10 are field of use limitations and/or generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 27-32; Reply 4-6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 27 (citations omitted). Smartflash argues that the challenged claims are patentable because they “are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” PO Resp. 17. We agree with Petitioner for the following reasons.

The ’772 patent specification treats as well-known all potentially technical aspects of claims 1, 5, 8, and 10, including “a wireless interface,” “non-volatile memory,” “a processor,” “a program store,” “a user interface,” “code” and “a display.” *See* Reply 11. For example, the specification states the recited “non-volatile memory” may be an EEPROM, the recited “program store” may be a ROM, and the recited “non-volatile memory” may be Flash memory (Ex. 1201,

17:31-36), as found in a standard “smart Flash card” (*id.* at 17:15-24). *See also id.* at 4:7-8, 6:23-25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28-37, 14:33-38, 16:55-58, 18:16-20 (describing components as “conventional”), Figs. 6, 9. Furthermore, the claimed “code” in claims 1 and 8 performs generic computer functions, such as requesting, receiving, selecting, accessing, transmitting, displaying, identifying, storing, presenting, and controlling. Pet. 2-4; *see id.* at 29. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1, 5, 8, and 10 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on, for example, payment. *See* PO Resp. 25 (citation omitted). None of the challenged claims recite any particular or “distinct memories.” As noted above, the ’772 patent specification indicates that the required memories may be conventional types of memory. As noted above, the ’772 patent specification indicates that the required memories may be conventional types of memory. Ex. 1201, 4:7-8, 6:23-25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28-37, 14:33-38, 16:55-58, 17:15-

24, 17:31-36, 18:16-20 (describing components as “conventional”), Figs. 6, 9. The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Claims 1, 5, 8, and 10 also recite several conventional computer components, including a “data carrier,” “memory,” “program store,” “processor,” “code,” “interface,” and “display.” *See* Pet. 31. We are not persuaded that the recitation of these computer components alone amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’772 patent related to the way the recited components are constructed or used. As discussed above, the ’772 patent states many claimed components are “conventional,” including the “data access terminal” recited in the preambles of claims 8 and 10. Ex. 1201, 4:7-8. Other components specifically described as “conventional” include “a processor,” “permanent program memory,” and “timing and control logic,” “all coupled by a data and communications bus.” *Id.* at 18:16-20.

In addition, because the recited elements can be implemented on a general purpose computer, claims

1, 5, 8, and 10 do not cover a “particular machine.” Pet. 35; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 1, 5, 8, and 10 do not transform an article into a different state or thing. *Id.*

Thus, we determine the potentially technical elements of claims 1, 5, 8, and 10 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR Holdings claims

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 1, 5, 8, and 10 are directed to statutory subject matter because the claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1, 18 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash contends that

[T]he claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier. By using a system that combines on the data carrier both the digital content and code to control access to the digital content that is responsive to payment validation data when obtaining digital content, the claimed multimedia terminals / data access terminals enable digital content to be obtained effectively and legitimately, including, for example, by allowing access to stored content only after payment validation data has been received

to reduce risk of piracy or non-payment to content rights owners.

Id. at 17.

Petitioner responds that claims 1, 5, 8, and 10 are distinguishable from the claims in *DDR Holdings*. Reply 7-14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. *DDR Holdings*, 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over "the 'brick and mortar' context" because "[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party." *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify "how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *Id.* The unconventional result in *DDR Holdings* is that the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites "using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page."

Id. at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 1, 5, 8, and 10 are distinguishable from the claims at issue in *DDR Holdings*. See Reply 7-14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 1, 5, 8, and 10 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’—that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 18 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. See Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. See Ex. 1201, 5:13-16 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1219 ¶ 77); Ex. 1215, 1:13-23 (“Currently, networked computer systems are used to distribute computer software without any usage restrictions or a license fee. A number of ‘try and buy’ systems also exist which enable users to try certain software programs in a

limited time period without incurring a license fee.”) Furthermore, whatever the problem, the solution provided by the challenged claims are not rooted in specific computer technology, but is based on “controlling access [to content] based on payment or rules.” See Reply 9 (citing Ex. 1219 ¶¶ 31, 76-77; Ex. 1208, Abstract, 4:27-35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. See Reply 10-12. For example, claim 1 of the ’772 patent recites code to, “request identifier data,” “receive said identifier data,” “present to a user . . . multimedia content,” “receive a user selection of . . . multimedia content,” “responsive to said user selection . . . to transmit payment data relating to payment for . . . multimedia content,” and “receive payment validation data . . . for said at least one selected item of multimedia content,” and “control access to said one selected item of multimedia content.” These limitations, and the other limitations of claims 1, 5, 8, and 10 do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258-59).

The claims at issue in *Ultramercial*, like claims 1, 5, 8, and 10, were also directed to distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 1, 5, 8, and 10, the *Ultramercial* claims condition and control access based on viewing an advertisement. *Ultramercial*, 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 1, 5, 8, and 10 comprise this abstract concept of conditioning and controlling access to data, based on, for example, payment. *See id.* at 715. Adding routine computer functions such as “request identifier data;” “receive said identifier data;” “present to a user . . . multimedia content;” “receive a user selection of . . . multimedia content;” “transmit payment data relating to payment for . . . multimedia content;” and “receive payment validation data . . . for said at least one selected item of multimedia content;” and “control access to said one selected item of multimedia content” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access to said one selected item of multimedia content” does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 1, 5, 8, and 10 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 1, 5, 8, and 10, include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the follow-

ing disclosure from the '772 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner. PO Resp. 13 (quoting Ex. 1201, 5:33-37). Referring to this disclosure, Smartflash argues that

By using a system that combines on the data carrier both the digital content and the at least one access rule, access control to the digital content can be enforced prior to access to the digital content. By comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.**

PO Resp. 13-14.

We are not persuaded by Smartflash’s arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device, was conventional. That Smartflash alleges

two specific types of information—content and the conditions for providing access to the content—are stored in the same place, or on the same storage device, does not alter our determination. The concept was well-known and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1215, Abstract, 10:24-30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 14) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 33), “underl[ying] *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope

of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 2, 25. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “‘specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.’” *Id.* at 25 (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’772 patent do not raise preemption concerns. *Id.* at 31-32.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the

basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Reply 14-17 (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 1, 5, 8, and 10 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash's Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims 5 and 10, which depend from claims 1 and 8, under § 101 in its related district court litigation with Smartflash (PO Resp. 33-34); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the '772 patent (*id.* at 34-35); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 35-37); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 37-39). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Smartflash's reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark

Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *See id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 1, 5, 8, and 10 of the ’772 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 1, 5, 8, and 10 of the ’772 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 34; *see* Reply 22-23.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 37 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1, 5, 8, and 10 of the ’772 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 29), Petitioner filed an Opposition to Smartflash’s Motion (Paper 32), and Smartflash filed a Reply in support of its motion (Paper 33). Smartflash’s Motion to Exclude seeks to exclude Exhibits 1202-1208, 1211-1219, 1224-1230, 1233, 1235, and 1236. Paper 29, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1202

Smartflash seeks to exclude Exhibit 1202—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 29, 1-3; Paper 33, 1-2. Specifically, Smartflash argues that Petitioner does not need to cite Smartflash’s characterization of the ’772 patent in the complaint because

the '772 patent itself is in evidence. Paper 29, 1-2. Moreover, according to Smartflash, its characterization of the '772 patent is irrelevant and, even if relevant, cumulative to the '772 patent itself. *Id.* at 2-3.

Petitioner counters that it relies on Exhibit 1202 not as evidence of the content of the '772 patent, but to show that Smartflash's characterization of the '772 patent supports Petitioner's contention that the '772 patent is a covered business method patent. Paper 32, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '772 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash's characterization of the '772 patent in another proceeding is not in the '772 patent itself, and, therefore, Exhibit 1202 is not cumulative to the '772 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the '772 patent), but as evidence of how Smartflash has characterized the '772 patent. Thus, Smartflash has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the '772 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the '772 patent in prior proceedings is relevant to the credibility of its characterization of the '772 patent in this proceeding. Smartflash contends that Exhibit 1202 does not contradict its characterization of the '772 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 33, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for

us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 32, 2), Smartflash's characterization of the '772 patent in prior proceedings is relevant to Smartflash's contention in this proceeding that the '772 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5-11).

Accordingly, we decline to exclude Exhibit 1202.

Exhibits 1205, 1224, 1229, 1230, 1233, and 1235

Smartflash seeks to exclude Exhibits 1205, 1224, 1229, 1230, 1233, and 1235 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 29, 3-4; Paper 33, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 29, 4. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1205 (*see* Paper 32, 4 n.3) were cited in the Wechselberger Declaration as "Materials Reviewed and Relied Upon." Paper 32, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash's reference to FRE 703 is unavailing because while this rule

does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1224, 1229, 1230, 1233, and 1235. We grant the motion as to Exhibit 1205.

*Exhibits 1203, 1204, 1206-1208,
1211-1218, 1225-1228, and 1236*

Smartflash seeks to exclude Exhibits 1203, 1204, 1206-1208, 1211-1218, 1225-1228, and 1236 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 29, 5-8; Paper 33, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, to whether the challenged claims contain an inventive concept and whether the elements disclosed by the challenged claims were well-known, routine, and conventional. Paper 32, 4-6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 29, 6, 8. We are not persuaded by Smartflash's argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-known,

routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1203, 1204, 1206-1208, 1211-1218, 1225-1228, and 1236.

Exhibit 1219

Smartflash moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 29, 8-11; Paper 33, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 29, 8-9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 29, 10-11; Paper 33, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 32, 7 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we

apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 28-68 and 69-96 from the declaration. Paper 29, 11-12.

Paragraphs 28-68 of the Wechselberger Declaration

Paragraphs 28-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 11.

Petitioner counters that Mr. Wechselberger's expert analysis of the prior art is relevant to the § 101 inquiry under FRE 401; what would be considered well-known, routine, and conventional; and "[p]atent eligibility under § 101 presents an issue of law [that] may contain underlying factual issues." Paper 32, 8 (citations omitted).

We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 69-96 of the Wechselberger Declaration

Paragraphs 69-96 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 12.

Petitioner counters that Smartflash's argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues, including what is well known, routine and conventional; and FRE 602 does not apply to a witness's expert testimony. Paper 32, 8-9 (citations omitted).

We are not persuaded by Smartflash's arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1219 ¶¶ 2-12, App'x A. We are, therefore, not persuaded by Smartflash's argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. FRE 602 expressly recites that it "does not apply to a witness's

expert testimony under Rule 703.” Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1219 ¶¶ 76-85, 88-89), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1219 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 1, 5, 8, 10 of the ’772 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner’s motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibit 1205 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD.,
SAMSUNG ELECTRONICS AMERICA, INC.,
and GOOGLE INC.,

Petitioners,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00031²
Patent 8,336,772 B2

[Entered August 24, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ANDERSON, *Administrative Patent Judge*.

¹ “Petitioner” refers to Apple Inc., Samsung Electronics LTD, Samsung Electronics America, Inc., and Google Inc., collectively

² Petitioner Samsung’s challenge to claims 5 and 10 of US Patent No. 8,336,772 B2 (“the ’772 patent”) in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Petitioner Google’s challenge to claims 1, 5, and 10 of the ’772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 37, 2-3 (claim 9 was initially consolidated with this case, but subsequently consolidated with another case).

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

INTRODUCTION

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 1, 5, 8, and 10 of U.S. Patent No. 8,336,772 B2 (Ex. 1201, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11) based upon Apple’s assertion that claims 1, 5, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2016, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On August 5, 2015, we consolidated Petitioner Samsung’s challenge to claims 5 and 10 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 5, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6, “Google Petition”). We consolidated Petitioner Google’s challenge to claims 1, 5, and 10 of the ’772 patent with this proceeding. Paper 31; Paper 37, 3 (claim 9 was initially consolidated with this case, but subsequently consolidated with another case); *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. at 11 (PTAB Dec. 1, 2015) (Paper 14).

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claims 1, 5, 8, and 10 of the ’772 patent are unpatentable. Paper 45 (“Final Dec.”), 4, 34. Smartflash requests rehearing of the Final Decision. Paper 46 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 47 (“Notice”). Petitioner filed a Response to Smartflash’s Notice. Paper 48 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or

overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash's Request is based on a disagreement with our determination that claims 1, 5, 8, and 10 ("the challenged claims") are directed to patent-ineligible subject matter. Req. Reh'g 4-5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5-10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash's previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash's arguments regarding *DDR Holdings*, Smartflash simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 16-25." Req. Reh'g 7 n.3. Similarly, in Smartflash's arguments regarding

Alice, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 15-32” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. See PO Resp. 25; see also *id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. See 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 10-12) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. See PO Resp. 16-25 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); see also Paper 42 (transcript of oral hearing), 6:13-16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong

of *Mayo* and *Alice*.”), *id.* at 6:17-18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 7 (citing Final Dec. 19) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 19), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5-7, 10-15) were addressed at pages 13-23 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6-7) were addressed at pages 23-25 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7-10) were addressed at pages 17-21 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer compo-

nents.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the U.S. Patent No. 7,334,720 B2³ as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2-3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the ’772 patent specification treats as well-known and conventional all potentially technical elements of claims 1, 5, 8, and 10 the claimed code performs generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 14-17; Notice Resp. 1-2. These limitations of claims 1, 5, 8, and 10 “do not yield a result that overrides the routine and conventional

³ We note that U.S. Patent No. 7,334,720 B2 is not at issue in this proceeding.

manner in which this technology operates.” Final Dec. 20. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information⁴ in the same place or on the same device is an age old practice.” Final Dec. 22. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* at 22-23 (citing Ex. 1215, Abstract, 10:24-30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

[Service List Omitted]

⁴ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2-3; Notice Resp. 2; PO Resp. 13; Final Decision 22-23.

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD.,
SAMSUNG ELECTRONICS AMERICA, INC.,
and GOOGLE INC.,
Petitioners,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00032²
Patent 8,336,772 B2

[Entered May 26, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.

ANDERSON, *Administrative Patent Judge*.

¹ “Petitioner” refers collectively to Apple Inc., Samsung Electronics LTD, Samsung Electronics America, Inc., and Google Inc.

² Samsung’s challenge to claim 14 of US Patent No. 8,336,772 B2 (“the ’772 patent”) in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Google’s challenge to claims 14 and 22 of the ’772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 38, 2–3.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 14, 19, and 22 of U.S. Patent No. 8,336,772 B2 (Ex. 1301, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 14, 19, and 22 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Petitioner filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2015, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On June 29, 2015, Samsung filed a Motion for Joinder (CBM2015-00059, Paper 11) seeking to consolidate its challenge to claim 14 with the covered business method patent review in

CBM2015-00032.³ On August 5, 2015, we granted Samsung’s Petition and consolidated Samsung’s challenge to claim 14 of the ’772 patent with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 55, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6⁴, “Google Petition”). On June 29, 2015, Google filed a “Motion for Joinder” of its newly filed case with previously instituted Petitioner cases CBM2015-00031 and CBM2015-00032. CBM2015-00132 (Paper 10, “Google Mot.”). On December 1, 2015, we granted Google’s Petition and consolidated Google’s challenge to claims 14, 19, 21, and 22 of the ’772 patent with this proceeding.⁵ Paper 31; *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. 11 (PTAB Dec. 1, 2015) (Paper 14). Google’s challenge to claims 1, 5, 9, and 10 of the ’772 patent were

³ Samsung’s Motion requested that: its challenge to claim 14 be consolidated with this case; its challenge to claims 5 and 10 be consolidated with CBM2015-00031, and that its challenge to claims 26 and 32 be consolidated with CBM2015-00033. CBM2015-00031 and CBM2015-00033 were both filed by Petitioner and involve claims 1, 5, 8, and 10, and claims 25, 26, 30, and 32, respectively, of the ’772 patent. Final Written Decisions in CBM2015-00031 and CBM2015-00033 are issued concurrently with this Decision.

⁴ We refer to the redacted version of the Petition.

⁵ For purposes of this Decision, we will cite only to Petitioner’s Petition and the record in CBM2015-00032.

consolidated with CBM2015-00031. On December 16, 2015, we revised our institution order to consolidate Google’s challenge to claims 9 and 21 with CBM2015-00133, instead of with CBM2015-00031 and this proceeding, respectively. Paper 38, 3.

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 44, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 14, 19, and 22 of the ’772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’772 Patent

The ’772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1301, 1:24-28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32-58. The ’772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62-2:3. According to the ’772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10-18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62-2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4-7. The '772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59-62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Illustrative Claims

Petitioner challenges claims 14, 19, and 22 of the '772 patent. Claims 14 and 19 are independent and claim 22 depends from claim 19. Claims 14 and 19 are reproduced below:

14. A handheld multimedia terminal, comprising:
 - a wireless interface configured to interface with a wireless network for communicating with a data supplier;
 - non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
 - a program store storing processor control code;
 - a processor coupled to said non-volatile memory, said program store, said wireless interface and a user interface to allow a user to select and play said multimedia content;

a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;

wherein the processor control code comprises:

code to request identifier data identifying one or more items of multimedia content available for retrieving via said wireless interface;

code to receive said identifier data via said wireless interface, said identifier data identifying said one or more items of multimedia content available for retrieving via said wireless interface;

code to request content information via said wireless interface, wherein said content information comprises one or more of description data and cost data pertaining to at least one of said one or more items of multimedia content identified by said identifier data;

code to receive said content information via said wireless interface;

code to present said content information pertaining to said identified one or more items of multimedia content available for retrieving to a user on said display;

code to receive a user selection selecting at least one of said one or more items of multimedia content available for retrieving;

code responsive to said user selection of said selected at least one item of multimedia content to transmit payment data relating to payment for said selected at least one item of multimedia content via said wireless interface for validation by a payment validation system;

code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said selected at least one item of multimedia content; and

code responsive to said payment validation data to retrieve said selected at least one item of multimedia content via said wireless interface from a data supplier and to write said retrieved at least one item of multimedia content into said non-volatile memory,

wherein said user interface is operable to enable a user to select said selected at least one item of multimedia content available for retrieving.

Ex.1301, 27:55-28:39.

19. A data access terminal for retrieving a content data item from a data supplier and providing the retrieved data item to a data carrier, the data access terminal comprising:

a first interface for communicating with the data supplier;

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items available for retrieving;

code to receive said identifier data identifying said one or more content data items available for retrieving;

code to request content information pertaining to at least one of said one or more content data items identified by said identified data;

code to receive said content information;

code to present said content information to a user via said user interface pertaining to said identified one or more content data items available for retrieving;

code to receive a user selection selecting at least one of said one or more of said content data items available for retrieving;

code responsive to said user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said selected at least one content data item; and

code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier.

Ex. 1301, 28:55-29:25.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁶ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278-79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 14, 19, and 22 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20-33. Petitioner submits a Declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁷ in support of its petition. Ex. 1319.

⁶ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”).

⁷ In its Response, Patent Owner argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 4-11. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in

According to Petitioner, claims 14, 19, and 22 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 20-33. Smartflash argues that claims 14, 19, and 22 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ – that of digital data piracy.” PO Resp. 18 (citation omitted). Specifically, Smartflash asserts that “the claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” *Id.* at 17.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, claim 14 recites a “handheld multimedia terminal” and claims 19 and 22 recite a “data access terminal,” which fall into the “machine” category under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the

its entirety, or in the alternative, portions of the Declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-1334 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP*

Tech., Inc. v. Amazon.com, Inc., 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 14, 19, and 22 are directed to the abstract idea of “paying for and controlling access to content.” Pet. 21; *see id.* at 23-25. Although Smartflash does not concede, in its Patent Owner Response, that claims 14, 19, and 22 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 16-27 (Patent Owner Response arguing that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Tr. 7:19-22 (Petitioner stating that “Patent Owner has made no argument that its claims are not directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) (emphasis added), *id.* at 7:22-23 (Petitioner also stating “[Patent Owner] has never disputed the articulation of those abstract ideas”).

We are persuaded that claims 14, 19, and 22 are drawn to the abstract idea of conditioning and controlling access to content based on, for example, payment. Specifically, independent claim 14 recites “code responsive to said user selection of said selected at least one item of multimedia content to transmit payment data relating to payment for said selected at least one item of multimedia content.” Independent claim 19 is similar and recites “code responsive to said user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item.” Claim 22 depends from claim 19 and recites “wherein said data access terminal is integrated with a mobile communications device and audio/video player.”

Furthermore, as discussed above, the '772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1301, 1:23-57. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The '772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:61-2:3. The '772 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 14, 19, and 22 are not limited to the Internet. Claim 14 recites “code to” perform various functions related to the abstract idea. Independent claim 14 recites, among other things, code to: “request identifier data,” “receive said identifier data,” “request content information . . . [comprising] description data and cost data pertaining to . . . multimedia content identified by said identifier data,” “receive said content information,” “present said content information pertaining to said . . . multimedia content available for retrieving to a user,” “receive a user selection,” “code responsive to said user selection . . . to transmit payment data relating to payment for said selected at least one item of multimedia content . . . for validation by a payment validation system,” “receive payment validation data,”

and “responsive to said payment validation data to retrieve said . . . multimedia content.” Independent claim 19, from which claim 22 depends, recites “code to” “request identifier data,” “receive said identifier data,” “request content information pertaining to . . . content data items,” “receive said content information,” “present said content information to a user . . . pertaining to . . . said content data;” “receive a user selection . . . of said content data items,” “responsive to said user selection . . . to transmit payment data . . . for said selected . . . at least one content item for validation by a payment validation system,” “receive payment validation data;” and “responsive to the payment validation data to retrieve said selected content data item . . . and write said retrieved at least one content data item into said data carrier.” The underlying concept of claims 14, 19, and 22 particularly when viewed in light of the ’772 patent specification, is conditioning and controlling access to content based on, for example, payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’772 patent specification and the claim language, that each of claims 14, 19, and 22 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenged claims are either field of use limitations—limiting the ideas of payment and controlling access to content to payment for retrieving “data” and controlling access to content based on “payment data” and “payment validation data”—or generic computer implementations, which Petitioner argues is insufficient to bring the claims within § 101 patent eligibility. Pet. 25-31. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 10-12. Petitioner persuades us that claims 14, 19, and 22 of the ’772

patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 14, 19, and 22 are field of use limitations and/or are generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 25-31; Reply 4-6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 25 (citations omitted). Smartflash argues that the challenged claims are patentable because they “are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” PO Resp. 17. We agree with Petitioner for the following reasons.

The ’772 patent specification treats as well-known all potentially technical aspects of claims 14, 19, and 22, including “a wireless interface,” “non-volatile volatile memory,” “a processor,” “a program store,” “a user interface,” “code” and “a display.” *See* Reply 11. For example, the specification states the recited “non-volatile memory” may be an EEPROM, the recited “program store” may be a ROM, and the

recited “non-volatile memory” may be Flash memory (Ex. 1301, 17:31-36), as found in a standard “smart Flash card” (*id.* at 17:15-24). *See also id.* at 4:7-8, 6:23-25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28-37, 14:33-38, 16:55-58, 18:16-20 (describing components as “conventional”), Figs. 6, 9. Furthermore, the claimed “code” in claims 14 and 19 performs generic computer functions, such as requesting, receiving, writing, selecting, transmitting, displaying, and identifying, and storing. Pet. 2-3, *see id.* at 27-29. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n.*, 776 F.3d 1343, 1347-1348 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 14, 19, and 22 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on, for example, payment. *See* PO Resp. 27. None of the challenged claims recite any particular or “distinct memories.” As noted above, the ’772 patent specification indicates that the required memories may be conventional types of memory. Ex. 1301, 4:7-8, 6:23-25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28-37, 14:33-38, 16:55-58, 17:15-24, 17:31-36, 18:16-20 (describing components as “conventional”), Figs. 6, 9. The recitation of generic memory, being used to store data

in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Claims 14, 19, and 22 also recite several conventional computer components, including a “data carrier,” “memory,” “program store,” “processor,” “code,” “interface,” and “display.” *See* Pet. 29. We are not persuaded that the recitation of these computer components alone amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’772 patent related to the way the recited components are constructed or used. As discussed above, the ’772 patent states many claimed components are “conventional,” including the “data access terminal” recited in the preambles of claims 19 and 22. Ex. 1301, 4:7-8. Other components specifically described as “conventional” include “a processor,” “permanent program memory,” and “timing and control logic,” “all coupled by a data and communications bus.” *Id.* at 18:16-20.

In addition, because the recited elements can be implemented on a general purpose computer, claims 14, 19, and 22 do not cover a “particular machine.” Pet. 33; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful

and important clue” for determining whether an invention is patent eligible). And claims 14, 19, and 22 do not transform an article into a different state or thing. *Id.*

Thus, we determine the potentially technical elements of claims 14, 19, and 22 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR Holdings claims

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 14, 19, and 22 are directed to statutory subject matter because the claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1, 18 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash contends that

[T]he claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier. By using a system that combines on the data carrier both the digital content and code responsive to payment validation data to control access to the digital content when obtaining digital content, the claimed multimedia terminals / data access terminals enable digital content to be obtained effectively and legitimately, including, for example, by retrieving content only after payment validation data has been received to reduce risk of piracy or nonpayment to content rights owners.

Id. at 17.

Petitioner responds that claims 14, 19, and 22 are distinguishable from the claims in *DDR Holdings*. Reply 7-14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. *DDR Holdings*, 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is that the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ulramercial*, which “broadly and

generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 14, 19, and 22 are distinguishable from the claims at issue in *DDR Holdings*. See Reply 7-14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 14, 19, and 22 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’—that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 18 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. See Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. See Ex. 1301, 5:13-16 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1319 ¶ 77); Ex. 1315, 1:13-23 (“Currently, networked computer systems are used to distribute computer software without any usage restrictions or a license fee. A number of ‘try and buy’ systems also exist which enable users to try certain software programs in a limited time period without incurring a license fee.”) Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on “control-

ling access [to content] based on payment or rules.” See Reply 9 (citing Ex. 1319 ¶¶ 31, 76-77; Ex. 1308, Abstract, 4:27-35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. See Reply 10-12. For example, claim 19 of the ’772 patent recites code to “request identifier data,” “receive said identifier data,” “request content information pertaining to . . . content data items,” “receive said content information,” “present said content information to a user via said user interface pertaining to . . . said content data,” “receive a user selection . . . of said content data,” “responsive to said user selection . . . transmit payment data . . . for said selected . . . content item for validation by a payment validation system,” “receive payment validation data,” and “responsive to the payment validation data to retrieve said selected content data item . . . and write said retrieved at least one content data item into said data carrier.” These limitations, and the other limitations of claims 14, 19, and 22, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258-59).

The claims at issue in *Ultramercial*, like claims 14, 19, and 22, were also directed to distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 14, 19, and 22, the *Ultramercial* claims condition and control access based on viewing an advertisement. *Ultramercial*, 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 14, 19, and 22 comprise this abstract concept of conditioning and controlling access to content based on, for example, payment. *See id.* at 715. Adding routine additional routine computer functions such as “request identifier data;” “receive said identifier data;” “request content information;” “receive said content information;” “present said content information to a user;” “receive a user selection;” and “receive payment validation data;” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access to said one selected item of multimedia content” does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 14, 19, and 22 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 14, 19, and 22 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’772 patent specification: “[b]y combining digital rights management with content

data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner. PO Resp. 13 (quoting Ex. 1201, 5:33-37). Referring to this disclosure, Smartflash argues that

By using a system that combines on the data carrier both the digital content and the at least one access rule, access code responsive to payment validation data to control to the digital content can be enforced prior to access to the digital content. By comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had had only been partially used.**

PO Resp. 13-14.

We are not persuaded by Smartflash's arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device, was conventional. That Smartflash alleges

two specific types of information—content and the conditions for providing access to the content—are stored in the same place, or on the same storage device, does not alter our determination. The concept was well-known and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1315, Abstract, 10:24-30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 14) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to stored content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 31), “underl[ying] *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope

of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 27. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “‘specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.’” *Id.* (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’772 patent do not raise preemption concerns. *Id.* at 32-34.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . .

For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Reply 16-17 (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by

a preponderance of the evidence that claims 14, 19, and 22 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash's Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims 14 and 22 under § 101 in its related district court litigation with Smartflash (PO Resp. 34-36); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the '772 patent (*id.* at 36); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 36-38); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 38-41). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Smartflash's reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark Trial and Appeal Board and the district court applied the "likelihood of confusion" standard; the standard that applies in this proceeding—preponderance of the

evidence—is different than that which was applied in district court—clear and convincing evidence. *See id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 14, 19, and 22 of the '772 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 14, 19, and 22 of the '772 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 36; *see* Reply 22-23.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a

§ 101 challenge under AIA § 18.’” PO Resp. 38-39 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 14, 19, and 22 of the ’772 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 29), Petitioner filed an Opposition to Smartflash’s Motion (Paper 32), and Smartflash filed a Reply in support of its motion (Paper 33). Smartflash’s Motion to Exclude seeks to exclude Exhibits 1302-08, 1311-19, 1324-30, 1333, 1335, and 1336. Paper 29, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. See 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1302

Smartflash seeks to exclude Exhibit 1302—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 29, 1-3; Paper 33, 1-2. Specifically, Smartflash argues that Petitioner does not need to cite Smartflash’s characterization of the ’772 patent in the complaint because the ’772 patent itself is in evidence. Paper 29, 1-3. Moreover, according to Smartflash, its characterization of the ’772 patent is irrelevant and, even if relevant, cumulative to the ’772 patent itself. *Id.* at 2-3.

Petitioner counters that it relies on Exhibit 1302 not as evidence of the content of the '772 patent, but to show that Smartflash's characterization of the '772 patent supports Petitioner's contention that the '772 patent is a covered business method patent. Paper 32, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '772 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash's characterization of the '772 patent in another proceeding is not in the '772 patent itself, and, therefore, Exhibit 1302 is not cumulative to the '772 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1302 is offered not for the truth of the matter asserted (i.e., the content of the '772 patent), but as evidence of how Smartflash has characterized the '772 patent. Thus, Smartflash has not persuaded us that Exhibit 1302 is evidence of the content of a writing or that it is cumulative to the '772 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1302 is irrelevant, at least because its characterization of the '772 patent in prior proceedings is relevant to the credibility of its characterization of the '772 patent in this proceeding. Smartflash contends that Exhibit 1302 does not contradict its characterization of the '772 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 33, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 32, 2), Smartflash's characterization of the '772 patent in prior proceedings is relevant to Smartflash's contention in

this proceeding that the '772 patent does not satisfy the “financial in nature” requirement for a covered business method patent review (Prelim. Resp. 5-11).

Accordingly, we decline to exclude Exhibit 1302.

Exhibits 1305, 1324, 1329, 1330, 1333, and 1335

Smartflash seeks to exclude Exhibits 1305, 1324, 1329, 1330, 1333, and 1335 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 29, 3-5; Paper 33, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 29, 4. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1305 (*see* Paper 32, 4 n.3) were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 32, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash’s reference to FRE 703 is unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown

that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1324, 1329, 1330, 1333, and 1335. We grant the motion as to Exhibit 1305.

*Exhibits 1303, 1304, 1306-08,
1311-18, 1325-28, and 1336*

Smartflash seeks to exclude Exhibits 1303, 1304, 1306-08, 1311-18, 1325-28, and 1336 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 29, 5-8; Paper 33, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, to whether the challenged claims contain an inventive concept and whether the elements disclosed by the challenged claims were well-known, routine, and conventional. Paper 32, 4-6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 29, 6, 8. We are not persuaded by Smartflash's argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1303, 1304, 1306-08, 1311-18, 1325-28, and 1336.

Exhibit 1319

Smartflash moves to exclude Exhibit 1319, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 29, 8-11; Paper 33, 3. Specifically, Smartflash contends that the Declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 29, 8-9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 29, 10-11; Paper 33, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 32, 6-7 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion

to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1319 in its entirety, we exclude paragraphs 28-68 and 69-96 from the Declaration. Paper 29, 11-12.

Paragraphs 28-68 of the Wechselberger Declaration

Paragraphs 28-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 11-12.

Petitioner counters that Smartflash's argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues, including what is well known, routine and conventional; and FRE 602 does not apply to a witness's expert testimony. Paper 32, 8-9 (citations omitted).

We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a

skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 69-96 of the Wechselberger Declaration

Paragraphs 69-96 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 12.

Petitioner counters that Smartflash's argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues; and FRE 602 does not apply to a witness's expert testimony. Paper 32, 8-9 (citations omitted).

We are not persuaded by Smartflash's arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1319 ¶¶ 2-12, App'x A. We are, therefore, not persuaded by Smartflash's argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. FRE 602 expressly recites that it "does not apply to a witness's expert testimony under Rule 703." Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1319 ¶¶ 76-85, 88-89), which, as we state above, is relevant to the § 101

analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1319 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 14, 19, and 22 of the '772 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibit 1305 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD.,
SAMSUNG ELECTRONICS AMERICA, INC.,
and GOOGLE INC.,

Petitioners,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00032²
Patent 8,336,772 B2

[Entered August 24, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
ANDERSON, *Administrative Patent Judge*.

¹ “Petitioner” refers to Apple Inc., Samsung Electronics Ltd., Samsung Electronics America, Inc., and Google Inc., collectively.

² Samsung’s challenge to claim 14 of US Patent No. 8,336,772 B2 (“the ’772 patent”) in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Google’s challenge to claims 14 and 22 of the ’772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 38, 2–3 (claim 21 was initially consolidated with this case, but subsequently consolidated with another case).

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

INTRODUCTION

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 14, 19, and 22 of U.S. Patent No. 8,336,772 B2 (Ex. 1201, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11) based upon Apple’s assertion that claims 14, 19, and 22 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2016, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). We consolidated Petitioner Samsung’s challenge to claim 14 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash*

LLC, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 5, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6, “Google Petition”). We consolidated Petitioner Google’s challenge to claims 14, and 22 of the ’772 patent with this proceeding. Paper 31, Paper 38, 3 (claim 21 was initially consolidated with this case, but subsequently consolidated with another case); *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. at 11 (PTAB Dec. 1, 2015) (Paper 14).

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claims 14, 19, and 22 of the ’772 patent are unpatentable. Paper 46 (“Final Dec.”), 4, 34. Smartflash requests rehearing of the Final Decision. Paper 47 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 48 (“Notice”). Petitioner filed a Response to Smartflash’s Notice. Paper 49 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 14, 19, and 22 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5-10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash’s arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to

37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 15-27.” Req. Reh’g 7 n.3. Similarly, in Smartflash’s arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. *See* PO Resp. 15-34” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 27; *see also id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 11-13) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. *See* PO Resp. 16-27 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Paper 42 (transcript of oral hearing), 6:13-16 (Peti-

tioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”), *id.* at 6:17-18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 7 (citing Final Dec. 19) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 19), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5-7, 10-15) were addressed at pages 13-23 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6-7) were addressed at pages 23-25 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7-10) were addressed at pages 17-21 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the

abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the U.S. Patent No. 7,334,720 B2³ as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2-3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioner argues, the ’772 patent specification treats as well-known and conventional all potentially technical elements of claims 14, 19, and 22, the claimed code performs generic computer functions, and the claims recite several generic and conventional data

³ We note that U.S. Patent No. 7,334,720 B2 is not at issue in this proceeding.

types. Final Dec. 15-17; Notice Resp. 1-2. These limitations of claims 14, 19, and 22 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 20. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information⁴ in the same place or on the same device is an age old practice.” Final Dec. 22. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* at 22-23 (citing Ex. 1315, Abstract, 10:24-30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

[Service List Omitted]

⁴ We agree with Petitioner that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2-3; Notice Resp. 2; PO Resp. 13; Final Decision 22-23.

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD., and
SAMSUNG ELECTRONICS AMERICA, INC.,
Petitioners,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00033¹
Patent 8,336,772 B2

[Entered May 26, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ Samsung's challenge to claims 26 and 32 of US Patent No. 8,336,772 B2 in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9-10.

INTRODUCTION

A. Background

Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 25, 26, 30, and 32 of U.S. Patent No. 8,336,772 B2 (Ex. 1401, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 25, 26, 30, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2015, Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26 and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On June 29, 2015, Samsung filed a Motion for Joinder (CBM2015-00059, Paper 11) seeking to consolidate its challenge to claims 26 and 32 with the covered business method patent review in

CBM2015-00033.² On August 5, 2015, we granted Samsung’s Petition and consolidated Samsung’s challenge to claims 26 and 32 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9-10 (PTAB Aug. 5, 2015) (Paper 13).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 38, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Apple has shown by a preponderance of the evidence that claims 25, 26, 30, and 32 of the ’772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’772 Patent

The ’772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1401, 1:24-28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without

² Samsung’s Motion requested that its challenge to claims 26 and 32 be consolidated with this case. CBM2015-00059, Paper 11. Samsung’s Motion also requested that its challenge to claims 5 and 10 be consolidated with CBM2015-00031, and that its challenge to claim 14 be consolidated with CBM2015-00032. CBM2015-00031 and CBM2015-00032 were both filed by Apple and involve claims 1, 5, 8, and 10, and claims 14, 19, and 22, respectively, of the ’772 patent.

authorization. *Id.* at 1:32-58. The '772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62-2:3. According to the '772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10-18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62-2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4-7. The '772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59-62 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .").

C. Illustrative Claims

Apple challenges claims 25, 26, 30, and 32 of the '772 patent. Claims 25 and 30 are independent and claims 26 and 32 depend from claims 25 and 30, respectively. Claims 25 and 30 are reproduced below:

25. A handheld multimedia terminal for retrieving and accessing protected multimedia content, comprising:

a wireless interface configured to interface with a wireless network for communicating with a data supplier;

non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;

a program store storing processor control code;

a processor coupled to said non-volatile memory, said program store, said wireless interface and

a user interface to allow a user to select and play said multimedia content;

a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;

wherein the processor control code comprises:

code to request identifier data identifying one or more items of multimedia content available for retrieving via said wireless interface;

code to receive said identifier data via said wireless interface, said identifier data identifying said one or more items of multimedia content available for retrieving via said wireless interface;

code to request content information via said wireless interface, wherein said content information comprises one or more of description data and cost data pertaining to at least one of said one or more items of multimedia content identified by said identifier data;

code to receive said content information via said wireless interface;

code to present said content information pertaining to said identified one or more items of multimedia content available for retrieving to a user on said display;

code to receive a first user selection selecting at least one of said one or more items of multimedia content available for retrieving;

code responsive to said first user selection of said selected at least one item of multimedia content to transmit payment data relating to payment for said selected at least one item of multimedia content via said wireless interface for validation by a payment validation system;

code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said selected at least one item of multimedia content; and

code responsive to said payment validation data to retrieve said selected at least one item of multimedia content via said wireless interface from a data supplier and to write said retrieved at least one item of multimedia content into said non-volatile memory, code to receive a second user selection selecting one or more of said items of retrieved multimedia content to access;

code to read use status data and use rules from said non-volatile memory pertaining to said second selected one or more items of retrieved multimedia content; and

code to evaluate said use status data and use rules to determine whether access is permitted to said second selected one or more items of retrieved multimedia content,

wherein said user interface is operable to enable a user to make said first user selection

of said selected at least one item of multimedia content available for retrieving,

wherein said user interface is operable to enable a user to make said second user selection of said one or more items of retrieved multimedia content available for accessing, and

wherein said user interface is operable to enable a user to access said second user selection of said one or more item of retrieved multimedia content responsive to said code to control access permitting access to said second selected one or more items of retrieved multimedia content.

Ex. 1401, 29:40-30:47.

30. A data access terminal for controlling access to one or more content data items stored on a data carrier, the data access terminal comprising:

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items available for retrieving;

code to receive said identifier data identifying said one or more content data items available for retrieving;

code to request content information pertaining to at least one of said one or more content data items identified by said identified data;

code to receive said content information; code to present said content information to a user via said user interface pertaining to said identified one or more content data items available for retrieving;

code to receive a first user selection selecting at least one of said one or more of said content data items available for retrieving;

code responsive to said first user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said selected at least one content data item;

code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier;

code to receive a second user selection selecting one of said one or more of said retrieved content data items to access;

code to read use status data and use rules from said data carrier pertaining to said second selected one or more retrieved content data items; and

code to evaluate said use status data and use rules to determine whether access is permitted to said second selected one or more retrieved content data items.

Ex. 1401, 30:65-31:43.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,³ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278-79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Apple challenges claims 25, 26, 30, and 32 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20-31. Apple submits a declaration from Anthony J. Wechselberger (“Wechselberger Declaration”).⁴ Ex. 1419.

³ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”).

⁴ In its Response, Patent Owner argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 4-11. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration

According to Apple, claims 25, 26, 30, and 32 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 20-31. Smartflash argues that claims 25, 26, 30, and 32 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ – that of digital data piracy.” PO Resp. 18 (citations omitted). Specifically, Smartflash asserts that “the claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” *Id.* at 17.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, claims 25 and 26 recite a “handheld multimedia terminal” and claims 30 and 32 recite a “data access terminal,” which fall into the “machine” category under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative*

based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

Services v. Prometheus Laboratories, Inc., 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech.*,

Inc. v. Amazon.com, Inc., 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 25, 26, 30, and 32 are directed to the abstract idea of “paying for and controlling access to data / content.” Pet. 20; *see id.* at 25-26. Although Smartflash does not concede, in its Patent Owner Response, that claims 25, 26, 30, and 32 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 16-29 (Patent Owner Response arguing that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Tr. 7:19-22 (Apple stating that “Patent Owner has made no argument that its claims are not directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) (emphasis added), *id.* at 7:22-23 (Apple also stating “[Patent Owner] has never disputed the articulation of those abstract ideas”).

We are persuaded that claims 25, 26, 30, and 32 are drawn to the abstract idea of conditioning and controlling access to content based on, for example, payment. Specifically, independent claim 25 recites “code to receive payment validation data . . . for said selected at least one item of multimedia content.” Independent claim 30 recites “code to receive payment validation data . . . for said selected at least one content data item.” Claim 26 depends from claim 25 and recites “code to present said second selected one or more items of retrieved multimedia content to a user via said display if access is permitted.” Claim 32 depends from claim 30 and recites “said data access terminal is integrated with a mobile communications device and audio/video player.” Furthermore, as discussed above, the ’772 patent discusses addressing recording industry concerns of data pirates offering

unauthorized access to widely available compressed audio recordings. Ex. 1401, 1:23-57. The specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The '772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:61-2:3. The '772 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 25, 26, 30, and 32 are not limited to the Internet. Claim 25, from which claim 26 depends, recites “code to” perform various functions related to the abstract idea. Independent claim 25 recites, among other things, code to: “request identifier data,” “receive said identifier data,” “request content information,” “receive said content information,” “present said content information,” “receive a first user selection,” “transmit payment data,” “receive payment validation data,” “retrieve said selected at least one item of multimedia content,” “read use status data and use rules,” and “evaluate said use status data and use rules.” As discussed above, independent claim 30, from which claim 32 depends, includes similar limitations, including as a concluding limitation “code to evaluate said use status data and use rules to determine whether access is permitted to said second selected one or more retrieved content data items.” The underlying concept of claims 25, 26,

30, and 32, particularly when viewed in light of the '772 patent specification, is conditioning and controlling access to content based on, for example, payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. See *Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '772 patent specification and the claim language, that each of claims 25, 26, 30, and 32 is directed to an abstract idea. See *Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. See *Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of

performing the basic calculation, storage, and transmission functions required by the method claims.”).

Apple argues that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13-14. Apple persuades us that claims 25, 26, 30, and 32 of the ’772 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Apple’s rationale that the additional elements of claims 25, 26, 30, and 32 are field of use limitations and/or generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 24-29; Reply 4-6.

a. Every claimed hardware component and function was known

Apple argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 24 (citations omitted). Smartflash argues that the challenged claims are patentable because they “are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” PO Resp. 17. We agree with Apple for the following reasons.

The '772 patent specification treats as well-known all potentially technical aspects of claims 25, 26, 30, and 32, including “a wireless interface,” “non-volatile memory,” “a program store,” “a processor,” “a user interface,” “a display,” and “code.” See Reply 10-11. For example, the specification states the recited “non-volatile memory” may be an EEPROM, the recited “program store” may be a ROM, and the recited “non-volatile memory” may be Flash memory (Ex. 1401, 17:31-36), as found in a standard “smart Flash card” (*id.* at 17:15-24). See also *id.* at 4:7-8, 6:23-25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28-37, 14:33-38, 16:55-58, 18:16-20 (describing components as “conventional”), Figs. 6, 9. Furthermore, the claimed “code” performs generic computer functions, such as requesting, receiving, presenting, reading, and evaluating. Pet. 3, 26-27. The recitation of these generic computer functions is insufficient to confer specificity. See *Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 25, 26, 30, and 32 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on, for example, payment. See PO Resp. 29 (citation omitted). As noted above, the '772 patent specification indicates that the required memories may be conventional types of memory. Ex. 1401, 4:7-8, 6:23-25 (stating that “[t]he data memory for storing content data may be optic, magnetic or

semiconductor memory, but preferably comprises Flash memory.”), 11:28-37, 14:33-38, 16:55-58, 17:15-24, 17:31-36, 18:16-20 (describing components as “conventional”), Figs. 6, 9. The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Claims 25, 26, 30, and 32 also recite several conventional computer components, including “a wireless interface,” “non-volatile memory,” “a program store,” “a processor,” “a user interface,” and “a display.” *See* Pet. 27-28. We are not persuaded that the recitation of these computer components alone amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”). Smartflash does not point to any inventive concept in the ’772 patent related to the way the recited components are constructed or used. As discussed above, the ’772 patent states many claimed components are “conventional,” including the “data access terminal” recited in the preamble of claim 30. Ex. 1401, 4:7-8. Other components specifically described as “conventional” include “a processor,” “permanent program memory,” and “timing and control logic,” “all coupled by a data and communications bus.” *Id.* at 18:16-20.

In addition, because the recited elements can be implemented on a general purpose computer, claims 25, 26, 30, and 32 do not cover a “particular machine.” Pet. 31; *see Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 25, 26, 30, and 32 do not transform an article into a different state or thing. *Id.*

Thus, we determine the potentially technical elements of claims 25, 26, 30, and 32 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR Holdings claims

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 25, 26, 30, and 32 are directed to statutory subject matter because the claims are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 1, 17 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash contends that

[T]he claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier. By using a system that combines on the data carrier both the digital content and use status data / use rules to control access to the digital content when obtaining digital content, the claimed multimedia terminals / data access terminals enable digital content to be obtained effectively and legitimately, including, for example, by allowing or prohibiting

access to the downloaded or stored content in accordance with rules as required or specified by content rights owners.

Id. at 17.

Apple responds that claims 25, 26, 30, and 32 are distinguishable from the claims in *DDR Holdings*. Reply 6-14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. *DDR Holdings*, 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over "the 'brick and mortar' context" because "[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party." *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify "how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *Id.* The unconventional result in *DDR Holdings* is that the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites "using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible

elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Apple that claims 25, 26, 30, and 32 are distinguishable from the claims at issue in *DDR Holdings*. See Reply 6-14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 25, 26, 30, and 32 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’—that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 18 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. See Reply 9-10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. See Ex. 1401, 5:13-16 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1419 ¶ 78); Ex. 1415, 1:13-23 (“Currently, networked computer systems are used to distribute computer software without any usage restrictions or a license fee. A number of ‘try and buy’ systems also exist which enable users to try

certain software programs in a limited time period without incurring a license fee.”). Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on “controlling access [to content] based on payment or rules.” *See* Reply 8-19 (citing Ex. 1419 ¶¶ 31, 77-78; Ex. 1408, Abstract, 4:27-35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Reply 10-12. For example, claim 25 of the ’772 patent recites code to: “request identifier data,” “receive said identifier data,” “request content information,” “receive said content information,” “present said content information,” “receive a first user selection,” “transmit payment data,” “receive payment validation data,” “retrieve said selected at least one item of multimedia content,” “read use status data and use rules,” and “evaluate said use status data and use rules.” These limitations, and the other limitations of claims 25, 26, 30, and 32, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258-59).

The claims at issue in *Ultramercial*, like claims 25, 26, 30, and 32, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 25, 26, 30, and 32, the *Ultramercial* claims condition and control access based on viewing an advertisement. *Ultramercial*, 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 25, 26, 30, and 32 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding code to perform routine additional steps such as “read use status data and use rules,” “evaluate said use status data and use rules to determine whether access is permitted” to requested content, and “enable a user to access [content] responsive to said code to control access permitting access” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 25, 26, 30, and 32 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 25, 26, 30, and 32 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’772 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored

content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 13 (quoting Ex. 1401, 5:33-37). Referring to this disclosure, Smartflash argues that:

By using a system that combines on the handheld multimedia terminal / data access terminal both the digital content and use status data / use rules to control access to the digital content, access control to the digital content can be enforced prior to access to the digital content. By comparison, unlike a system that uses use status data / use rules to control access to the digital content as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD**. Similarly, **there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.**

PO Resp. 13-14.

We are not persuaded by Smartflash’s arguments. Apple sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device, was conventional. That Smartflash alleges

two specific types of information—content and the conditions for providing access to the content—are stored in the same place, or on the same storage device, does not alter our determination. The concept was well-known and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1415, Abstract, 10:24-30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 14) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Apple argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 30), “underl[ying] *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope

of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 2, 29. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “‘specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.’” *Id.* at 29 (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’772 patent do not raise preemption concerns. *Id.* at 34-36.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . .

For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Reply 14-17 (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Apple has shown by a preponderance of the evidence that claims 25, 26, 30, and 32 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash's Remaining Arguments*

Smartflash also asserts that (1) Apple has already lost its challenge to claims of the '772 patent, including claims 26 and 32, under § 101 in its related district court litigation with Smartflash (PO Resp. 37-39); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the '772 patent (*id.* at 39); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 39-41); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 41-44). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). Smartflash's reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trade-

mark Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *See id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 25, 26, 30, and 32 of the ’772 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 25, 26, 30, and 32 of the ’772 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 39; *see* Reply 22-24.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggan v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 41 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Apple has established, by a preponderance of the evidence, that claims 25, 26, 30, and 32 of the ’772 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 29), Apple filed an Opposition to Smartflash’s Motion (Paper 31), and Smartflash filed a Reply in support of its motion (Paper 32). Smartflash’s Motion to Exclude seeks to exclude (1) Exhibits 1402-08, 1411-19, 1424-30, 1433, 1435, and 1436. Paper 31, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. See 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1402

Smartflash seeks to exclude Exhibit 1402—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 29, 1-3; Paper 32, 1-2. Specifically, Smartflash argues that Apple does not need to cite Smartflash’s characterization of the ’772 patent in the complaint because the ’772 patent itself is in evidence. Paper 29, 1-2.

Moreover, according to Smartflash, its characterization of the '772 patent is irrelevant and, even if relevant, cumulative to the '772 patent itself. *Id.* at 2-3.

Apple counters that it relies on Exhibit 1402 not as evidence of the content of the '772 patent, but to show that Smartflash's characterization of the '772 patent supports Apple's contention that the '772 patent is a covered business method patent. Paper 31, 2. Thus, according to Apple, it is highly relevant to the issue of whether the '772 patent is a covered business method patent. *Id.* Moreover, contends Apple, Smartflash's characterization of the '772 patent in another proceeding is not in the '772 patent itself, and, therefore, Exhibit 1402 is not cumulative to the '772 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Apple that Exhibit 1402 is offered not for the truth of the matter asserted (i.e., the content of the '772 patent), but as evidence of how Smartflash has characterized the '772 patent. Thus, Smartflash has not persuaded us that Exhibit 1402 is evidence of the content of a writing or that it is cumulative to the '772 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1402 is irrelevant, at least because its characterization of the '772 patent in prior proceedings is relevant to the credibility of its characterization of the '772 patent in this proceeding. Smartflash contends that Exhibit 1402 does not contradict its characterization of the '772 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 32, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Apple notes (Paper 31, 2), Smartflash's

characterization of the '772 patent in prior proceedings is relevant to Smartflash's contention in this proceeding that the '772 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5-11).

Accordingly, we decline to exclude Exhibit 1402.

Exhibits 1405, 1424, 1429, 1430, 1433, and 1435

Smartflash seeks to exclude Exhibits 1405, 1424, 1429, 1430, 1433, and 1435 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 29, 3-4; Paper 32, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 29, 4. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Apple counters that all of these exhibits except Exhibit 1405 (*see* Paper 31, 4 n.2) were cited in the Wechselberger Declaration as "Materials Reviewed and Relied Upon." Paper 31, 3. Further, contends Apple, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Apple. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash's reference to FRE 703 is unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed

these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1424, 1429, 1430, 1433, and 1435. We grant the motion as to Exhibit 1405.

*Exhibits 1403, 1404, 1406-08,
1411-18, 1425-28, and 1436*

Smartflash seeks to exclude Exhibits 1403, 1404, 1406-08, 1411-18, 1425-28, and 1436 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 29, 5-8; Paper 32, 2.

Apple counters that all of these exhibits are relevant to our § 101 analysis, and specifically, to whether the challenged claims contain an inventive concept and whether the elements disclosed by the challenged claims were well-known, routine, and conventional. Paper 31, 4-6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 29, 6, 8. We are not persuaded by Smartflash's argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1403, 1404, 1406-08, 1411-18, 1425-28, and 1436.

Exhibit 1419

Smartflash moves to exclude Exhibit 1419, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 29, 8-12; Paper 32, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 29, 8-9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 29, 10-11; Paper 32, 3.

Apple notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 31, 7 (citation omitted). Apple further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Apple has established unpatentability. In doing so, it is within our discretion

to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1419 in its entirety, we exclude paragraphs 24-69 and 70-97 from the declaration. Paper 29, 11-12.

Paragraphs 24-69 of the Wechselberger Declaration

Paragraphs 24-69 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 11.

Apple counters that Mr. Wechselberger's expert analysis of the prior art is relevant to the § 101 inquiry under FRE 401; the level of skill of a skilled artisan is relevant to determining whether claim elements would be considered well-known, routine, and conventional; and claim construction is relevant because the determination of patent eligibility requires an understanding of the scope of the claimed subject matter. Paper 31, 8 (citations omitted).

We agree with Apple. Because this review is under § 101, analysis of the state of the prior art, which

includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 70-97 of the Wechselberger Declaration

Paragraphs 70-97 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 12.

Apple counters that Smartflash’s argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues; and FRE 602 does not apply to a witness’s expert testimony. Paper 32, 8-9 (citations omitted).

We are not persuaded by Smartflash’s arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1419 ¶¶ 2-12, App’x A. We are, therefore, not persuaded by Smartflash’s argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. FRE 602 expressly recites that it “does not apply to a witness’s expert testimony under Rule 703.” Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1419 ¶¶ 77-86, 88-89), which, as we state above, is relevant to the § 101

analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1419 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 25, 26, 30, and 32 of the '772 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibit 1405 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD., and
SAMSUNG ELECTRONICS AMERICA, INC.,
Petitioners,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00033¹
Patent 8,336,772 B2

[Entered August 24, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Samsung's challenge to claims 26 and 32 of Patent No. 8,336,772 B2 in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9-10.

INTRODUCTION

Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 25, 26, 30, and 32 of U.S. Patent No. 8,336,772 B2 (Ex. 1401, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). On May 28, 2015, we instituted a covered business method patent review based upon Apple’s assertion that claims 25, 26, 30, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 11, 19. Subsequent to institution, Smartflash LLC (“Smartflash”) filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Pet. Reply”) to Patent Owner’s Response. We consolidated a challenge by Samsung Electronics America, Inc., and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) to claim 26 and 32 of the ’772 patent with this proceeding. Paper 24, 9-10; *Samsung Electronics America, Inc. v. Smartflash LLC*, Case CBM2015-00059 (Paper 13) (PTAB August 5, 2015).

In our Final Decision, we determined that Petitioners Apple and Samsung had established, by a preponderance of the evidence, that claims 25, 26, 30, and 32 of the ’772 patent are unpatentable. Paper 40 (“Final Dec.”), 3, 34. Smartflash requests rehearing of the Final Decision. Paper 41 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 42 (“Notice”). Apple and Google filed a Response to Smartflash’s Notice. Paper 43 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash's Request is based on a disagreement with our determination that claims 25, 26, 30, and 32 ("the challenged claims") are directed to patent-ineligible subject matter. Req. Reh'g 5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5-10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10-15).

As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked.

Rather, the only citation to Smartflash's previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash's arguments regarding *DDR Holdings*, Smartflash simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 15-29." Request 7 n.3. Similarly, in Smartflash's arguments regarding *Alice*, Smartflash simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 15-37" (*id.* at 11 n.4) and "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain 'additional features' beyond an abstract idea was previously addressed. See PO Resp. 29, 36-37; see also, *id.* 4-9" (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash's Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an "issue" (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. See 37 C.F.R. § 42.71.

Smartflash's arguments are either new or were addressed in our Final Decision. For example, Smartflash's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 11-13) is new,

and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. See PO Resp. 15-29 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); see also Paper 38 (transcript of oral hearing), 6:13-16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”), *id.* at 6:17-18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. See, e.g., Req. Reh’g 7 (citing Final Dec. 19) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 19), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5-7, 11-15) were addressed at pages 13-23 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 7) were addressed at pages 23-25 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7-10) were addressed at pages 17-21 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the U.S. Patent No. 7,334,720 B2² as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2-3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solu-

² We note that the U.S. Patent No. 7,334,720 B2 is not at issue in this proceeding.

tion that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the ’772 patent specification treats as well-known and conventional all potentially technical elements of claims 25, 26, 30, and 32, the claimed code performs generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 15-17; Notice Resp. 1-2. These limitations of claims 25, 26, 30, and 32 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 20. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information³ in the same place or on the same device is an age old practice.” Final Dec. 22. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* at 22-23 (citing Ex. 1415, Abstract, 10:24-30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

³ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2-3; Notice Resp. 2; PO Resp. 13; Final Decision 22-23.

657a

ORDER

Accordingly, it is:

ORDERED that Smartflash's Rehearing Request is *denied*.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC. and GOOGLE, INC.,
Petitioners,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00133¹
Patent 8,336,772 B2

[Entered November 10, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R.
CLEMENTS, *Administrative Patent Judges*.
CLEMENTS, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ Google's challenge to claims 9 and 21 based on 35 U.S.C. § 101 in CBM2015-00132 was consolidated with this proceeding. Paper 10.

INTRODUCTION

A. Background

Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of U.S. Patent No. 8,336,772 B2 (Ex. 1001, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).² Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”). On November 16, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 22.

On May 8, 2015, Google Inc. (“Google”) filed a corrected Petition requesting covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6, “Google Petition”). On June 29, 2015, Google filed a Motion for Joinder (CBM2015-00132, Paper 10) seeking to consolidate its challenge with earlier-filed petitions for covered business method patent reviews of the ’772 patent in *Apple Inc. v. Smartflash LLC*, Cases CBM2015-00031 and CBM2015-00032, which were instituted on May 28, 2015. See *Apple Inc. v. Smartflash, LLC*, Case CBM2015-00031, slip. op. at 19-20 (PTAB May 28, 2015) (Paper 11) (instituting review of claims 1, 5, 8, and 10 of the ’772 patent under 35 U.S.C. § 101); and

² Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

Apple Inc. v. Smartflash, LLC, Case CBM2015-00032, slip. op. at 18-19 (Paper 11) (instituting review of claims 14, 19, and 22 of the '772 patent under 35 U.S.C. § 101). On December 1, 2015, we granted Google's Petition and consolidated its challenge to claims 1, 5, 9, and 10 with CBM2015-00031 and consolidated its challenge to claims 14, 21, and 22 with CBM2015-00032. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 14). Subsequently, we granted an unopposed request by Apple and Google (collectively, "Petitioner") to consolidate Google's challenge to claims 9 and 21 with CBM2015-00133 instead of with CBM2015-00031 and CBM2015-00032, respectively. Paper 10.

Patent Owner filed a Patent Owner Response (Paper 21, "PO Resp.") and Apple filed a Reply (Paper 25, "Reply") to Patent Owner's Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 33 ("Notice"). Apple and Google (collectively, "Petitioner") filed a Response to Smartflash's Notice. Paper 34 ("Notice Resp.").

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 36 ("Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of the '772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters

The parties indicate that the '772 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co. Ltd.*, Case No. 6:13-cv-448 (E.D. Tex.); and *Smartflash LLC v. Amazon.Com, Inc.*, Case No. 6:14-cv-992 (E.D. Tex.). Pet. 34; Paper 4, 4.

We have issued three previous Final Written Decisions in reviews challenging the '772 patent. In CBM2015-00031, we found claims 1, 5, 8, and 10 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00031 (PTAB May 26, 2016) (Paper 45). In CBM2015-00032, we found claims 14, 19, and 22 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00032 (PTAB May 26, 2016) (Paper 46). In CBM2015-00033, we found claims 25, 26, 30, and 32 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00033 (PTAB May 26, 2016) (Paper 40).

C. The '772 Patent

The '772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001, 1:24-28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32-58. The '772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated

payment. *Id.* at 1:62-2:3. According to the '772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10-18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62-2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4-7. The '772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59-62 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .").

D. Illustrative Claims

The claims under review are claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of the '772 patent. Inst. Dec. 22. Of the challenged claims, claims 35 and 36 are independent. Claims 2-4, 6, and 7 depend from independent claim 1 (held unpatentable under § 101 in CBM2015-00031). Claims 9 and 11-13 depend from independent claim 8 (held unpatentable under § 101 in CBM2015-00031). Claim 15-18 depend from claim 14 (held unpatentable under § 101 in CBM2015-00032). Claims 20, 21, 23, and 24 depend from 19 (held unpatentable under § 101 in CBM2015-00032). Claims 27-29 depend from claim 25 (held unpatentable under § 101 in CBM2015-00033). Claims 31, 33, and 34 depend from claim 30 (held unpatentable under § 101 in CBM2015-

00033). Claim 36 is illustrative and recites the following:

36. A data access device for retrieving stored data from a data carrier, the device comprising:

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;

code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data;

code to access the stored data when access is permitted; and

code to write partial use status data to the data carrier when only part of a stored data item has been accessed,

wherein the data access terminal is integrated with a mobile communication device, a personal computer, an audio/video player, and/or a set top box.

Ex. 1001, 32:33-56.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '772 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 41-79. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Dr. John P. J. Kelly in support of its Petition.³ Ex. 1019. Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data piracy.” PO Resp. 2, 28 (citation omitted).

³ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 5-15. Because Patent Owner has filed a Motion to Exclude (Paper 29) that includes a request to exclude Dr. Kelly's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine”—i.e., a “handheld multimedia terminal” (claims 2-4, 6, 7, 15-18, and 27-29), a “data access terminal” (claims 9, 11-13, 20, 21, 23, 24, 31, and 33-35), or a “data access device” (claim 36)—under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into

something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “payment for and/or controlling access to content.” Pet. 42. Specifically, Petitioner contends that “claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-35 are drawn to the concepts of payment and controlling access, reciting ‘code to’ transmit payment data, receive payment validation data, retrieve or write data, and/or control access to data receive payment and control access to data,” and “claim 36 is drawn to the concept of controlling access to data, reciting ‘code to’ access stored data when access is permitted.” *Id.* at 44.

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to content. For example, claim 35 recites “code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier.” Claim 36 recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted.”

As discussed above, the '772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:23-57. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of that data by internet users who may not even realize that it is pirated. *Id.* The '772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:61-2:3. The '772 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59-2:19.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling

access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that the challenged claims are comprised of “various real-world structural components” (PO Resp. 18, 19), and therefore are “directed to a machine, not an abstract idea” (*id.* at 19). Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to “real-world handheld multimedia terminals and data access terminals/devices that are specialized machines.” *Id.* at 22. As Petitioner correctly points out (Pet. Reply 2-3), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility “depend simply on the draftsman’s art,” . . . thereby eviscerating the rule that “. . . abstract ideas are not patentable.”

Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347, 2358-59 (2014) (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp.

20-22. These decisions are non-precedential and distinguishable. In CBM2015-00113, the panel's determination turned on a step requiring "correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier" and on the Petitioner's formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113 (Oct. 19, 2015), (Paper 7, 13). Patent Owner argues that some of the challenged claims are like those at issue in CBM2015-00113 because they "require[] code to request identifier data that similarly is used to identify an item of multimedia content or a data item." PO Resp. 21. As the panel in CBM2015-00113 explained, however, the claims at issue there required "particular types of searching processes"—i.e., "a non-exhaustive, near neighbor search"—that are different than the abstract idea alleged by Petitioner in that proceeding. CBM2015-00113, Paper 7, 12-13. In this case, none of the challenged claims recite a *specific* search process by which use rules would be correlated with multimedia content or a data item. Claims 35 and 36 do not recite "code to request identifier data." And even for those challenged claims that do recite "code to request identifier data," reciting "request[ing]" and "present[ing]" a content data item does not imply "correlating, by the computer system using a non-exhaustive, near neighbor search." With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 21-22. The panel's determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147 (Nov. 30, 2015) (Paper 14, 14) ("As in *DDR*, we are persuaded that, however the abstract idea is characterized, the

'854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner's Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are “directed to an improvement to computer functionality.” Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are “directed to specific organization of data and defined sequences of transaction steps with distinct advantages over alternatives” (*id.* at 2) and, therefore, “like those in *Enfish*, ‘are directed to a *specific implementation of a solution to a problem*,’ in Internet digital commerce” (*id.* at 3) (emphasis added by Patent Owner). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they “merely implement an old practice in a new environment.” *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), “perform[] generic computer functions such as storing, receiving, and extracting data” using “physical components” that “behave exactly as expected according to their ordinary use” and “merely provide a generic environment in which to carry out the abstract idea” of controlling access to content based on payment and/or rules. Notice Resp. 2-3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612-15). The limitations of the challenged claims—e.g., “code to retrieve,” “code to evaluate,” “code to

access,” and “code to write partial use status data” (claim 36)—are so general that they

do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of the '772 patent are directed to an abstract idea. See *Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

1. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological

environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept.” Pet. Reply 5. We are persuaded that claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of the ’772 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 50-76.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 51 (citations omitted). Patent Owner disagrees,

arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 56 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’772 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 5-12 (citing Ex. 1001, 4:7-12, 11:33-35, 12:37-40, 13:43-46, 16:13-26, 16:40-44, 16:55-59, 18:14-20, 24:25-27). For example, the Specification states the recited “non-volatile memory” may be an EEPROM, the recited “program store” may be a ROM, and the recited “non-volatile memory” may be Flash memory (Ex. 1001, 17:31-36), as found in a standard “smart Flash card” (*id.* at 17:15-24). *See also id.* at 4:7-8, 6:23-25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28-37, 14:33-38, 16:55-58, 18:16-20 (describing components as “conventional”), Figs. 6, 9. The Specification also describes the “data access terminal” recited in claims 9, 11-13, 20, 21, 23, 24, 31, and 33-35 as “conventional.” *Id.* at 4:7-8 (“The data access terminal may be a conventional computer or, alternatively, it may be a mobile phone.”). Moreover, on this record, Patent Owner has not argued persuasively that any of the other potentially technical additions to the claims performs a function that is anything other than “purely conventional.” *Alice*, 134 S. Ct. at 2359. The use of a program store and the linkage of existing hardware devices appear to be “well-understood, routine, conven-

tional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Further, the claimed computer code performs generic computer functions, such as requesting, receiving, presenting, and controlling access to (claim 8 from which challenged claims 9 and 11-13 depend). *See* Pet. 54-57. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that the challenged claims “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. *See* PO Resp. 56 (quoting Ex. 2049, 19). The challenged claims generically recite several memories, including “a program store,” “flash memory,” and “non-volatile memory,” and generically recite several data types, including “multimedia content,” “content data item,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’772 patent related to the way these memories or data types are constructed or used. In fact, the ’772 patent simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly

well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10-11 (“The claims do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 78; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 78-79.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged

claims are directed to statutory subject matter because the claimed solution is “‘necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 2, 27 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the handheld multimedia terminal / data access terminal both the digital content and use status data / use rules to control access to the digital content, access control to the digital content can be enforced prior to access to the digital content. By comparison, unlike a system that uses use status data / use rules to control access to the digital content as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.**

Id. at 17-18 (emphasis original).

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 12-15. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-

centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but still is able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer

networks”—that of “digital data piracy”—(PO Resp. 28), and “address the technological problem created by the nature of digital content and the Internet” (*id.* at 56). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 13 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts of compact discs, the pay TV industry, software data, and DVDs. *Id.* (citing Ex. 1019 ¶ 76; Ex. 1001, 5:13-16 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1052, 65:7-9, 71:18-22. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on controlling access based on payment or rules. *See* Pet. Reply 16 (citing *Ultra-mercial*, 772 F.3d at 712); *id.* at 13-14 (citing Ex. 1019 ¶¶ 48, 49, 52, 76).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 27-28), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the ’772 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 25 of the ’772 patent, from which challenged claims 27-29 depend, recites code to: “request identifier data,” “receive said identifier data,” “request content information,” “receive said content information,” “present said content information,” “receive a first user selection,” “transmit payment

data,” “receive payment validation data,” “retrieve said selected at least one item of multimedia content,” “read use status data and use rules,” and “evaluate said use status data and use rules.” There is no language in this claim, in any of the other challenged claims, or in the Specification of the ’772 patent, that demonstrates that the generic computer components function in an unconventional manner or employ sufficiently specific programming. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.” *Ultra-mercial, Inc.*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultra-mercial*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “memory,” “program store,” and “processor,” and routine additional steps such as receiving an access request for content, reading use status data and use rules, evaluating use status data using the use rules, and enabling access to the content does not transform an otherwise abstract idea into patent-eligible subject

matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultra-mercials* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “arranged in a non-conventional and non-generic way,” namely by requiring “a handheld multimedia

terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing technological process.’” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “the performance of the computer system itself.” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351). The concept of storing two different types of information in the same place or on the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 14-15 (citing Ex. 1015); Ex. 1015, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 15 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’772 patent: “[b]y

combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 17 (quoting Ex. 1001, 5:33-37). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the handheld multimedia terminal / data access terminal both the digital content and the use status data / use rules to control access to the digital content, access control to the digital content can be enforced prior to access to the digital content.” *Id.* Patent Owner concludes that

By comparison, unlike a system that uses use status data / use rules to control access to the digital content as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.**

Id. at 17-18 (emphasis original).

None of the challenged claims, however, recite “partial use status data.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content

and the use status data / use rules—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions (including payment validation) for providing access to the content. *See, e.g.*, Pet. 7-8 (citing Exs. 1013, 1015); Ex. 1015, 10:24-30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., enforcement of partial access to the digital content and purchase of additional content (PO Resp. 17-18)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 76. Patent Owner responds that the challenged claims do not result in inappro-

priate preemption. PO Resp. 35-39. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea “because they contain elements not required to practice the abstract idea.” *Id.* at 57; *see also id.* at 68 (“the [challenged] claims do not tie up or prevent the use of the purported abstract idea . . . because there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what it claimed”). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 59-65. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 66-67.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception

to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. See Pet. Reply 17-19 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see also *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (the “co-pending litigation”) with Patent Owner (PO Resp. 69-70); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 70); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 71-72); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 72-75). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the instituted claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 70.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705, 1770 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jillian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050 (PTAB May 22, 2015) (Paper 51, 9-10) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 71 n.2 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

g. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance

of the evidence, that the challenged claims of the '772 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner's Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 29, "Motion"), Petitioner filed an Opposition to Patent Owner's Motion (Paper 30, "Opp."), and Patent Owner filed a Reply in support of its Motion (Paper 32). Patent Owner seeks to exclude Exhibits 1002-1008, 1011-1019, 1025-1028, 1036, 1038, 1039-1045. Mot. 14, Paper 32. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner's Motion to Exclude is *denied*.

1. Exhibits 1002 and 1043

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit 1043—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 32, 1-2.

We are persuaded that Exhibits 1002 and 1043 are offered not for the truth of the matter asserted (i.e., the content of the '772 patent), but as evidence of how Patent Owner has characterized the '772 patent. Thus, Patent Owner has not persuaded us that

⁴ Paper 29 is Patent Owner's Motion to Exclude for CBM2015-00126. The record before us therefore does not include a Motion to Exclude specific to this proceeding. Nevertheless, we can infer from Petitioner's Opposition and Patent Owner's Reply in Support the exhibits at issue in this proceeding, and take notice of the arguments made by Patent Owner against these exhibits in related proceedings.

Exhibits 1002 and 1043 are evidence of the content of a writing or that it is cumulative to the '772 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1043 are irrelevant, at least because its characterization of the '772 patent in prior proceedings is relevant to the credibility of its characterization of the '772 patent in this proceeding. To the extent that Patent Owner contends that Exhibits 1002 and 1043 do not contradict its characterization of the '772 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue, this argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 3), Patent Owner's characterization of the '772 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '772 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (PO Resp. 75-79; Prelim. Resp. 71-76).

Accordingly, we decline to exclude Exhibits 1002 and 1043.

2. Exhibits 1003-1008, 1011-1018, 1025-1028, 1036, 1038, 1040-1042, 1044, and 1045

Patent Owner seeks to exclude Exhibits 1003-1008, 1011-1018, 1025-1028, 1036, 1038, 1040-1042, 1044, and 1045 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Paper 32, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 4-5.

Petitioner further contends that the Petition and Kelly Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 5. Petitioner argues that “[i]t would be nonsensical to exclude the Prior Art Exhibits before the Board determines whether it needs to perform the second step of the *Mayo* analysis, as PO urges” (Opp. 6), and that the claims are directed to an abstract idea (*id.* at 6-8).

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, Dr. Kelly attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 1019 ¶ 9) and many of these exhibits are cited in the Petition’s discussion of the § 101 challenge (*see, e.g.*, Pet. 59 (citing Exs. 1004, 1012-1017, 1028, and 1040)). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1003-1008, 1011-1018, 1025-1028, 1036, 1038, 1040-1042, 1044, and 1045.

3. *Exhibit 1019*

Patent Owner moves to exclude Exhibit 1019, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 32, 3-4. Specifically, Patent Owner contends that we “cannot assess under FRE 702 whether Dr. Kelly’s opinion testimony is

‘based on sufficient facts or data,’ is ‘the product of reliable principles and methods,’ or if Dr. Kelly ‘reliably applie[s] the principles and methods to the facts of the case.’” Paper 32, 3.

Petitioner argues that (1) Dr. Kelly’s opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues; (2) there is no support for Patent Owner’s argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 9-12 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly’s Declaration. Because Exhibit 1019 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1019 in its entirety or any paragraph therein.

4. Exhibit 1039

Patent Owner moves to exclude Exhibit 1039, the April 8-9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner’s expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-

00112, on the grounds that it is irrelevant hearsay. Paper 32, 4. Petitioner argues that this testimony is not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if it is hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12-14. Patent Owner argues that Dr. Katz's admissions as to what was in the prior art are irrelevant to a § 101 analysis because "[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional." Paper 32, 4.

We agree with Petitioner that Dr. Katz's testimony is not hearsay because it was offered against an opposing party, is testimony that Patent Owner adopted or believed to be true, and was provided by a person, Dr. Katz, whom Patent Owner authorized to provide testimony on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of the '772 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC. and GOOGLE, INC.,
Petitioners,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00133¹
Patent 8,336,772 B2

[Entered January 27, 2017]

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and GREGG I.
ANDERSON, *Administrative Patent Judges*.
PLENZLER, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Google's challenge to claims 9 and 21 based on 35 U.S.C. § 101 in CBM2015-00132 was consolidated with this proceeding. Paper 10.

INTRODUCTION

Apple Inc. (“Apple”), filed a Petition to institute covered business method patent review of claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of U.S. Patent No. 8,336,772 B2 (Ex. 1001, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).² On November 16, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 22.

On May 8, 2015, Google Inc. (“Google”) filed a corrected Petition requesting covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6, “Google Petition”). On June 29, 2015, Google filed a Motion for Joinder (CBM2015-00132, Paper 10) seeking to consolidate its challenge with earlier-filed petitions for covered business method patent reviews of the ’772 patent in *Apple Inc. v. Smartflash LLC*, Cases CBM2015-00031 and CBM2015-00032, which were instituted on May 28, 2015. *See Apple Inc. v. Smartflash, LLC*, Case CBM2015-00031, slip. op. at 19-20 (PTAB May 28, 2015) (Paper 11) (instituting review of claims 1, 5, 8, and 10 of the ’772 patent under 35 U.S.C. § 101); and *Apple Inc. v. Smartflash, LLC*, Case CBM2015-00032, slip. op. at 18-19 (PTAB May 28, 2015) (Paper

² Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

11) (instituting review of claims 14, 19, and 22 of the '772 patent under 35 U.S.C. § 101). On December 1, 2015, we granted Google's Petition and consolidated its challenge to claims 1, 5, 9, and 10 with CBM2015-00031 and consolidated its challenge to claims 14, 21, and 22 with CBM2015-00032. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 14). Subsequently, we granted an unopposed request by Apple and Google (collectively, "Petitioner") to consolidate Google's challenge to claims 9 and 21 with CBM2015-00133, instead of with CBM2015-00031 and CBM2015-00032, respectively. Paper 10.

Subsequent to institution, Smartflash LLC ("Patent Owner") filed a Patent Owner Response (Paper 21, "PO Resp.") and Petitioner filed a Reply (Paper 25, "Pet. Reply") to Patent Owner's Response. Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 33 ("Notice"). Petitioner filed a Response to Patent Owner's Notice. Paper 34 ("Notice Resp.").

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of the '772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 38 ("Final Dec."), 3, 34. Patent Owner requests rehearing of the Final Decision with respect to patent ineligibility of the challenged claims under § 101. Paper 39 ("Request" or "Req. Reh'g"). Having considered Patent Owner's Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e).

The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that the challenged claims are directed to patent-ineligible subject matter. Req. Reh'g 3.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*³, *Enfish*⁴, and *Bascom*⁵. *Id.* at 5-11. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or over-

³ *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

⁴ *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

⁵ *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

looked. Although Patent Owner repeatedly states that “the Board misapprehends Smartflash’s argument” (see, e.g., Req. Reh’g 5, 10), it offers no explanation as to how we misapprehended or overlooked any particular “matter [that] was previously addressed in a motion, an opposition, or a reply.” In fact, Patent Owner does not cite to its papers even once when alleging an argument was misapprehended with respect to these cases. See *id.* at 5-11. Rather than providing a proper request for rehearing, addressing particular matters that we previously allegedly misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made.

To the extent portions of the Request are supported by Patent Owner’s argument in the Patent Owner Response or in Patent Owner’s Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. See, e.g., Req. Reh’g 5, 7, 9 (noting that the Board rejected Smartflash’s argument with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). The only paper cited by Patent Owner is our Final Decision, which, as noted above, addresses Patent Owner’s arguments related to *DDR Holdings* (Final Dec. 18-22), *Enfish* (*id.* at 12), and *Bascom* (*id.* at 22-23). Patent Owner’s Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the challenged claims and those addressed in *McRO*⁶ and *Amdocs*⁷, which

⁶ *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

⁷ *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

were issued after Patent Owner's Notice was filed. Req. Reh'g 11-15. Patent Owner alleges that we overlooked the Federal Circuit's decisions in *McRO* and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11-12), and concluding that

[b]ecause the challenged claims are a technological improvement over the then-existing systems and methods, and limit transfer and retrieval of multimedia content based on payment validation in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13 (citing Ex. 1001, 26:35-37 (claim 1)). But *McRO* does not stand for the general proposition that use of rules or conditions to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that "the claimed improvement [was] allowing computers to produce 'accurate and realistic lip synchronization and facial expressions in animated characters' that previously could only be produced by human animators." *Id.* at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective* process performed by human artists into a mathematically *automated* process executed on computers (i.e., the processes were fundamentally different). *Id.* at 1314. The Court

explained that “it [was] the incorporation of the claimed rules, not the use of the computer, that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations “where the claimed computer-automated process and the prior method were carried out in the same way.” *Id.* (citing *Parker v. Flook*, 437 U.S. 584, 585-86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims “merely implement an old practice in a new environment.” Final Dec. 12-13 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue in *McRO*. *FairWarning*, 839 F.3d at 1094-95. In *FairWarning*, the Court explained that “[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries” and that it is the “incorporation of a computer, *not* the claimed rule, that purportedly ‘improve[s] [the] existing technological process.’” *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the “payment validation data” in claim 2, for example, is merely a condition for “enabl[ing] access to . . . multimedia content” that the ’772 patent explains “will normally be dependent upon payments made for data stored on the data carrier” (i.e., allowing access when the data has been purchased). Ex. 1001, 9:28-30.

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that “the challenged claims of the ’772 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use an unconventional technological approach.” Req. Reh’g 15 (citing PO Resp. 55)⁸. We disagree.

In *Amdocs*, the Court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* The Court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases).” *Id.* The Court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300-1301. When determining that the claim was patent-eligible, the Court explained that the “enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem.” *Id.* at 1301. The Court distinguished the claim from the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that

⁸ This is the only instance where one of Patent Owner’s papers is cited in the Request.

the “enhancing limitation . . . necessarily incorporates the invention’s distributed architecture—an architecture providing a technological solution to a technological problem,” which “provides the requisite ‘something more’ than the performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, “[t]he ’772 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components.” Final Dec. 15. Unlike the generic components at issue in *Amdocs*, the generic components recited in claims 2-4, 6, 7, 9, 11-13, 15-18, 20, 21, 23, 24, 27-29, 31, and 33-36 of the ’772 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See* Final Dec. 20-24. Claims 2–5, 7, 9, and 12 of the ’772 patent simply recite generic memories and data types with no description of the underlying implementation or programming.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

[Service List Omitted]

702a

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00121
Patent 8,794,516 B2

[Entered November 7, 2016]

Before JENNIFER S. BISK, RAMA G. ELLURU,
and GREGG I. ANDERSON, *Administrative Patent
Judges*.

ANDERSON, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed a Petition to institute covered business method patent review of claims 1-28 of U.S. Patent No. 8,794,516 B2 (Ex. 1001, “the ’516 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). On November 10, 2015, we instituted a covered business method patent review (Paper 8, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1-28 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 24.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 29 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 30 (“Notice Resp.”).

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 31 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1-28 of the ’516 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

B. Related Matters

The '516 patent is the subject of the following district court case *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex. 2015). Pet. 36, Paper 4, 4-5. Petitioner advises that patents related to the '516 patent have been asserted in other actions including: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex. 2014), all where Petitioner is a party; and *Smartflash LLC et al. v. Amazon.Com, Inc., et al.*, No. 6:14-cv-992 (E.D. Tex.), where Petitioner is not a party. Pet. 36, Paper 4, 4-5.

Petitioner previously filed petitions for covered business method patent review of several related patents and a review of the '516 patent.² Paper 4, 5.

C. The '516 Patent

The '516 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:24-28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32-58. The '516 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62-2:3. According to the '516 patent, this combination of the payment validation means with the data storage means allows data

² See *Google Inc. v. Smartflash LLC*, CBM2015-00143, Decision Denying Institution (PTAB Nov. 18, 2015) (Paper 8).

owners to make their data available over the internet without fear of data pirates. *Id.* at 2:8-19.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62-2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4-7. The '516 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59-62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Illustrative Claims

As noted above, Petitioner challenges claims 1-28. Claims 1, 5, 14, 21, and 25 are independent claims. Claims 1 and 14, respectively, an apparatus (“hand-held multimedia terminal”) claim and method claim, are illustrative of the claimed subject matter and reproduced below:

1. A handheld multimedia terminal, comprising:
 - a wireless interface configured to interface with a wireless network for accessing a remote computer system;
 - non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
 - a program store storing processor control code;

a processor coupled to said non-volatile memory, said program store, said wireless interface and a user interface to allow a user to select and play said multimedia content;

a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;

wherein the processor control code comprises:

code to request identifier data identifying one or more items of multimedia content stored in the non-volatile memory;

code to receive said identifier data;

code to present to a user on said display said identified one or more items of multimedia content available from the nonvolatile memory;

code to receive a user selection to select at least one of said one or more of said stored items of multimedia content;

code responsive to said user selection of said at least one selected item of multimedia content to transmit payment data relating to payment for said at least one selected item of multimedia content via said wireless interface for validation by a payment validation system,

wherein said payment data comprises user identification data identifying said user to said payment validation system;

code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said at least one selected item of multimedia content; and

code to control access to said at least one selected item of multimedia content on said

terminal responsive to said payment validation data,

wherein said user interface is operable to enable a user to select said at least one item of multimedia content available from said non-volatile memory; and

wherein said user interface is operable to enable a user to access said at least one selected item of multimedia content responsive to said code to control access permitting access to said at least one selected item of multimedia content.

Ex. 1001, 25:65-26:45.

14. A method of providing an item of multimedia content to a handheld multimedia terminal, the method comprising:

receiving a request from the handheld multimedia terminal for identifier data identifying one or more items of multimedia content data available to the handheld multimedia terminal;

retrieving the identifier data from a data store;

transmitting the identifier data to the handheld multimedia terminal;

receiving payment validation data validating a user purchase of an item of multimedia content; and

responsive to the payment validation data validating the user purchase, retrieving the purchased item of multimedia content data from a multimedia content store and transmitting the purchased item of multimedia content to the handheld multimedia terminal.

Ex. 1001, 27:61-28:9.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '516 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 1-28 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 41-77. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Dr. John P. J. Kelly in support of its Petition.³ Ex. 1019. Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy.” PO Resp. 1-2.

³ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 7-18. Because Patent Owner has filed a Motion to Exclude (Paper 23) that includes a request to exclude Dr. Kelly's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713-714 (Fed. Cir. 2014). Here, one set of the challenged claims recites a “machine”—i.e., a “hand-held multimedia terminal” (claims 1-4), a “content data supply server” (claims 5-13), and a “computer system” (claims 21-24). A second set of claims recites a method or “process” (claims 14-20 and 25-28). Both sets of claims fall within the broad categories of § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into

something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333-34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (emphasis added) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “payment for and controlling access to data.” Pet. 44 (citing Ex. 1019 ¶ 75). Specifically, Petitioner contends that challenged “[c]laims 1-4 are drawn to the concepts of payment and controlling access, reciting ‘code to’ receive payment validation and control access to content.” *Id.* at 44-45. Petitioner further contends that “[c]laims 5-28 are drawn to the concepts of payment and controlling access, reciting steps or ‘code to’ (*e.g. id.* cls. 5-28), receive payment validation, transmit or write content, and/or transmit access rules specifying conditions for access.” *Id.* at 45.

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to data. For example, claim 1 recites “code to control access to said at least one selected item of multimedia content on said terminal responsive to said payment validation data.” Claim 5 recites “code responsive to the payment validation data validating the user purchase to retrieve the purchased item of multimedia content data . . . and transmit the purchased item.” Claim 14 recites “responsive to the payment validation data validating the user purchase, retrieving the purchased item of multimedia content . . . and transmitting the purchased item of multimedia content.” Claim 21 recites “code responsive to the request and to the received payment validation data, to read the requested multimedia data item.” Claim 25 recites “responsive to the payment validation data retrieving the selected at least one item of multimedia content.”

As discussed above, the ’516 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:32-58. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of that data by internet users who may not even realize that it is pirated. *Id.* The ’516 patent proposes to solve this problem by restricting access to data on a portable data storage device based upon payment validation. *Id.* at 1:61-2:3. The ’516 patent makes clear that

the crux of the claimed subject matter is restricting access to stored data based on checked and validated payment. *Id.* at 2:4-2:19.

Although the specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is payment for and controlling access to data, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues the challenged claims are not directed to an abstract idea. PO Resp. 21-29. Patent Owner argues that claims 1-13, and 21-24 are directed to “machines comprised of various specialized structural components” (*id.* at 21) and that method claims 14-20, and 25-28 “are directed to useful processes (methods) with specifically defined elements as steps” (*id.* at 24). Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to “machines comprised of various specialized structural components” or “useful processes.” *Id.* at 21-24. As Petitioner correctly points out (Reply 2-4), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility “depend simply on the draft-

man’s art,” . . . thereby eviscerating the rule that
 “. . . abstract ideas are not patentable.”

Alice, 134 S. Ct. 2347, 2358-59 (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp. 24-28. These decisions are non-precedential and distinguishable. In CBM2015-00113, the panel’s determination turned on a step requiring “correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [and or the first] electronic media work identifier” and on the Petitioner’s formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, Paper 7 (Oct. 19, 2015), 13. Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because they “require transmission or writing of a multimedia content data item responsive to or correlated with some other data (payment data or payment validation data).” PO Resp. 25. As the panel in CBM2015-00113 explained, however, the claims at issue there required “particular types of searching processes”—i.e., “a non-exhaustive, near neighbor search”—that are different than the abstract idea alleged by Petitioner. *Id.* at 12-13. In this case, none of the challenged claims recite a *specific* search process by which content data would be correlated with other data.⁴ As Patent Owner acknowledges, to the extent

⁴ The claims recite variations of “content data,” including “multimedia content” (claim 1) and “content information” (claim 18).

the claims relate “content data” to some other data, it is for purposes of “transmission or writing of a multimedia content data item responsive to . . . some other data (payment data or payment validation data).” PO Resp. 25. Patent Owner’s assertion that content data is also “correlated with” (*id.*) other data is not found in the claims. For example, claim 5 recites “code responsive to the payment validation data validating the user purchase to retrieve the purchased item of multimedia content data . . . and transmit the purchased item of multimedia content,” but neither “validating” payment data nor “transmit[ting]” the “multimedia content data,” i.e., “content data” imply “correlating, by the computer system using a non-exhaustive, near neighbor search.” With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 26-27. The panel’s determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147, Paper 14 (Nov. 30, 2015), 14 (“As in *DDR*, we are persuaded that, however the abstract idea is characterized, the ’854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner’s Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are “directed to an improvement to computer functionality.” Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are “not directed to an abstract idea but to specific devices, systems, and methods for managing data to facilitate convenient and secure provision of digital content” (*id.* at 2) and, therefore, “like those in *Enfish*, ‘are directed to a *specific implementation of a solution* to a problem,’ in

Internet digital commerce.” *Id.* at 3. Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they “merely implement an old practice in a new environment.” *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), “perform[] generic computer functions such as storing, receiving, and extracting data” using “physical components” that “behave exactly as expected according to their ordinary use” and “merely provide a generic environment in which to carry out the abstract idea” of controlling access to content based on payment and/or rules. Notice Resp. 2-3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612-15). The limitations of the challenged claims—e.g., in some of the limitations of claim 1, “code to request,” “code to receive,” “code to present,” “code . . . to transmit,” “code to control access,”—are so general that they

[D]o no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the specification and the language of the challenged claims, that

claims 1-28 of the '516 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. Inventive Concept

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, [and] conventional computer components/activities, which fail to establish an inventive concept.” Pet. Reply 6. We are persuaded that claims 1-28 of the '516 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to

significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 51-73.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 51 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules ***that amount to significantly more than the underlying abstract idea.***” PO Resp. 48 (quoting Ex. 2049,⁵ 19) (emphasis added). We agree with Petitioner for the following reasons.

The ’516 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., “processor,” “program/data store,” “non-volatile memory,” “display,” and “interface”). Pet. 57-61; Pet.

⁵ Report and Recommendation, *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014) and *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014).

Reply 6-13, 15 (citing Ex. 1001, 4:7-16, 11:33-35, 12:37-40, 13:43-46, 16:13-26, 16:40-49, 16:55-59, 18:14-22, 24:25-27). With respect to the “**handheld multimedia terminal**” of claim 1, Petitioner argues that the generic computer components, “including an **interface, non-volatile memory, program store, processor, display, and payment validation system** are well-understood, conventional, and generic components being used for their well-known, conventional, and routine purpose.” *Id.* at 58 (citations omitted). Petitioner notes that “while the ’516 Patent makes no explicit reference to the term ‘handheld multimedia terminal’ except in its claims, the patent describes a ‘data access *terminal*’ that ‘may be a conventional computer or, alternatively, it may be a *mobile phone*,’ both of which were well-known in the art.” *Id.* (citing Ex. 1001, 4:7-8; 16:40-47; *see id.* 16:6-8 (“In another embodiment, a mobile communications device 152 is provided with a smart Flash card interface 152a”).

Petitioner identifies similar well-understood, conventional, and generic computer component recitations in claims 5-28, citing evidentiary support that the computer components “are similarly well-understood, conventional, and generic hardware discussed above being used for their well-known, conventional, and routine purpose.” Pet. 59-60. For example, independent claim 5 and dependent claims 6-13 recite a “content data supply server.” Additional computer components recited for the “content data supply server” include “communications interface,” “program store,” “data store,” “multimedia content store,” and “processor.” *Id.* at 59-60 (citing *inter alia* Ex. 1001, 6:45-47, 6:62-64, 13:30-31).

Further, the “code to’ limitations of challenged claims 1-13 and 21-24 simply instruct that the abstract ideas of payment for and controlling access to data should be implemented in software.” Pet. 54. The limitations are conventional and well-known computer functions, including functions such as “requesting identifier data.” *Id.* at 54-57. The recitation of these generic computer functions is insufficient to confer specificity. See *Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1-28 “recite specific ways of using distinct memories, data types, and use rules ***that amount to significantly more than***” paying for and/or controlling access to content. See PO Resp. 48 (quoting Ex. 2049, 19) (emphasis added). The claims recite several memories, including “non-volatile memory,” “a program store,” and “data store,” and generically recite several data types, including “music data, video data and computer game data,” “data,” “identifier data,” “code,” “payment data,” “payment validation data,” “supplementary data,” “advertising data,” “content data,” “payment record data,” “description and cost data,” and “multimedia content data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’516 patent related to the way these memories or data types are constructed or used. In fact, the ’516 patent simply discloses these memories and data types with no description of the underlying implementation or

programming. See *Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10-11 (“The claims do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 76; see *Bilski*, 561 U.S. at 604-05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 76-77.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358-59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is “‘necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 1-2, 33 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content. By comparison, for example, unlike a system that uses use rules/use status data, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.

Id. at 21.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 13-16. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-

centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257-58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultra-mercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer

networks”—that of “data content piracy”—(PO Resp. 1-2), and have “technological solutions to technological problems created by the nature of digital content and the Internet” (*id.* at 32). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 13-14 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts of compact discs (CDs) and DVDs. *Id.* at 14 (citing Ex. 1019 ¶¶ 48-49, 52, 76; Ex. 1001, 5:13-14 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”); Ex. 1045⁶ (discussing DVD region restrictions to prevent copying and misuse); Pet. 34-35. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on the abstract idea of “well-known concepts like payment validation and/or ‘access rules.’” *Id.* at 47 (citing *Ultramercial*, 772 F.3d at 715-16 (“Adding routine additional steps . . . does not transform an otherwise abstract idea into patent-eligible subject matter.”). Requiring payment to receive or access goods is “an age-old business practice that is performed even prior to and outside the context of the Internet.” *Id.* at 49 (citing Ex. 1019 ¶¶ 75-76).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 4, 27, 35), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the

⁶ Siemens Corporate Research, *DVD-Video: Multimedia for the Masses* (1999).

challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '516 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 1 of the '516 patent recites “code to request identifier data identifying one or more items of multimedia content stored in the non-volatile memory” and “code to receive said identifier data.” There is no language in this claim, in any of the other challenged claims, or in the Specification of the '516 patent, that demonstrates that the generic computer components—“code to request” and “code to receive”—function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to request” and “code to receive” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.” *Ultramercial, Inc.*, 772 F.3d at 716. Both limitations merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on payment, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “memory,” “program store,” and

“processor,” as recited in claim 1, and routine additional steps such as receiving a request for multimedia content, validating the user purchase, and transmitting the purchased item of multimedia content, as recited in claim 14, does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultra-mercial* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “recite a specific, discrete implemen-

tation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “arranged in a non-conventional and non-generic way,” namely by requiring “a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing technological process.’” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “the performance of the computer system itself.” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351). The concept of storing two different types of information in the same place or on the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 14-15 (citing Ex. 1015⁷); Ex. 1015, 10:24-30 (describing “[a] rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 14 (citing Ex. 1013⁸); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and

⁷ Andrew A. Poggio et al., EP App. No. 0 809 221 A2, published November 26, 1997.

⁸ Mark J. Stefik et al., U.S. Pat. No. 5,629,980, issued May 13, 1997.

conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’516 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 20 (quoting Ex. 1001, 5:33-37). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* at 21. Patent Owner concludes that

By comparison, for example, unlike a system that uses use rules/use status data, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.

Id.

The concept of continuously enforced access control to digital content is not recited in the challenged claims. Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the payment data,—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us sufficiently that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions (including payment validation) for providing access to the content. *See, e.g.*, Pet. 14-15 (citing Ex. 1015); Ex. 1015, 10:24-30 (describing “[a] rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 32 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 20-21)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept

of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 74. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 55-62. According to Patent Owner, the challenged claims do not result in inappropriate preemption because “[t]he evidence is clear that one could perform the abstract idea of ‘payment for and controlling access to data’ without required claim elements.” *Id.* at 57; *see also id.* at 62 (“[the challenged] claims do not tie up or prevent the use of the purported abstract idea . . . because, as noted above, there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what is claimed”). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 53-55. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 56-57.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not

demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 18-20 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that

doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (the “co-pending litigation”) with Patent Owner (PO Resp. 62-63); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 63-64); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 65-67); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 67-69). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340-42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the instituted claims [of the ’516 Patent] are directed to statutory subject matter has already been adjudicated by the USPTO with *Mayo* as controlling precedent, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 64.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” See *Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); see also *Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); but see *American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9-10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method

patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 67 n.4 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

g. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that the challenged claims of the ’516 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 23, “Motion” or “Mot.”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 27, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 28). Patent Owner seeks to exclude Exhibits 1002-1004, 1006-1008, 1011-1019, 1025-1028, 1036-1042, and 1044-1046. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1002, 1042, and 1046

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation, Exhibit 1042—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—, and Exhibit 1046—Excerpt of Transcript of Trial Afternoon

Session, February 16, 2015 from *Smartflash LLC v. Apple Inc.*, No. 6:13-cv-447)—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1-5; Paper 28, 1-2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner's characterization of the '516 patent in the complaint because the '516 patent itself is in evidence. Mot. 3-4. Moreover, according to Patent Owner, its characterization of the '516 patent is irrelevant and, even if relevant, cumulative to the '516 patent itself. *Id.* at 2, 5.

We are persuaded that Exhibits 1002, 1042, and 1046 are not offered for the truth of the matter asserted (i.e., the content of the '516 patent), but as evidence of how Patent Owner has characterized the '516 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002, 1042, and 1046 are evidence of the content of a writing or that it is cumulative to the '516 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002, 1042, and 1046 are irrelevant, at least because its characterization of the '516 patent in prior proceedings is relevant to the credibility of its characterization of the '516 patent in this proceeding. Patent Owner contends that Exhibits 1002, 1042, and 1046 do not contradict its characterization of the '516 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner's characterization of the '516 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '516

patent does not satisfy the “financial in nature” requirement for a covered business method patent review (PO Resp. 70-74; Paper 6 (Preliminary Response), 43-48).

Accordingly, we decline to exclude Exhibits 1002, 1042, and 1046.

2. Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1028, 1036-1041, and 1045

Patent Owner seeks to exclude Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1028, 1036-1041, and 1045 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5-6, Paper 28, 2-3.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 4-5. Petitioner further contends that the Petition and Kelly Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 5-6.

Patent Owner argues that whether limitations of the challenged claims were well-known, routine, and conventional is only relevant after finding that a claim is directed to an abstract idea, which is not necessary in this case because the claims are not directed to an abstract idea. Mot. 6-7. Petitioner argues that “[i]t would be nonsensical to exclude the Prior Art Exhibits before the Board determines whether it needs to perform the second step of the *Mayo* analysis, as PO urges” (Opp. 6-7), and that the claims are directed to an abstract idea (*id.* at 6-9).

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, Dr. Kelly attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 1019 ¶ 9) and many of these exhibits are cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 58 (citing Exs. 1003, 1004, 1013, 1016, 1039), 62 (citing Ex. 1003, 1004, 1006, 1007, 1013, 1014, 1015, 1027)). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1003, 1004, 1006-1008, 1011-1018, 1025-1028, 1036-1041, and 1045.

3. Exhibit 1019

Patent Owner moves to exclude Exhibit 1019, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8-12, Paper 28, 3-4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because Dr. Kelly (1) does not employ scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) could not define an abstract idea;

(4) looked for an inventive concept over the prior art rather than over the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 8-10. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Paper 28, 3.

Petitioner argues that (1) Dr. Kelly's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 10 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly's Declaration. Because Exhibit 1019 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Accordingly, we decline to exclude Exhibit 1019 in its entirety or any paragraph therein.

4. *Exhibit 1044*

Patent Owner moves to exclude Exhibit 1044, the April 8-9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner's expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-0112, on the grounds that it is irrelevant hearsay. Mot. 13, Paper 28, 4. Petitioner argues that this testimony not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 13-15. Patent Owner argues that Dr. Katz's admissions as to what was in the prior art are irrelevant to a § 101 analysis because "[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional." Paper 28, 4.

We agree with Petitioner that Dr. Katz's testimony is not hearsay because it was offered against an opposing party, is testimony that Patent Owner adopted or believed to be true, and was provided by a person, Dr. Katz, whom Patent Owner authorized to provide testimony on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that 1-28 of the '516 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

[Service List Omitted]

UNITED STATES PATENT AND
TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND
APPEAL BOARD

APPLE INC.,
Petitioner,
v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00121
Patent 8,794,516 B2

[Entered January 27, 2017]

Before JENNIFER S. BISK, RAMA G. ELLURU,
and GREGG I. ANDERSON, *Administrative Patent
Judges*.

ANDERSON, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

INTRODUCTION

Apple Inc. (“Petitioner”) filed a Petition to institute covered business method patent review of claims 1-28 of U.S. Patent No. 8,794,516 B2 (Ex. 1001, “the ’516 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). On November 10, 2015, we instituted a covered business method patent review (Paper 8, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1-28 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 24.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response. Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 29 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 30 (“Notice Resp.”).

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 1-28 of the ’516 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 32 (“Final Dec.”), 2, 35. Patent Owner requests rehearing of the Final Decision with respect to patent ineligibility of the challenged claims under § 101. Paper 33 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that the challenged claims are directed to patent-ineligible subject matter. Req. Reh'g 4.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*², *Enfish*³, and *Bascom*⁴. Req. Reh'g 5-11. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does

² *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

³ *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

⁴ *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

not identify any specific matter that we previously allegedly misapprehended or overlooked. Although Patent Owner repeatedly states that “the Board misapprehends Smartflash’s argument” (*see, e.g.*, Req. Reh’g 5, 10), it offers no explanation as to how we misapprehended or overlooked any particular “matter [that] was previously addressed in a motion, an opposition, or a reply.” In fact, Patent Owner does not sufficiently cite to its papers when alleging an argument with respect to these decisions was misapprehended. *See id.* at 5-11. Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made.

To the extent portions of the Request are supported by Patent Owner’s argument in the Patent Owner Response or in Patent Owner’s Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 5, 7, 9 (noting that “[t]he Board rejected Smartflash’s argument” with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). The only paper cited by Patent Owner is our Final Decision, which, as noted above, addresses Patent Owner’s arguments related to *DDR Holdings* (Final Dec. 18-21), *Enfish* (*id.* at 12), and *Bascom* (*id.* at 23-24). Patent Owner’s Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the challenged claims and those addressed in *McRO*⁵ and *Amdocs*⁶, which

⁵ *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

were issued after Patent Owner’s Notice was filed. Req. Reh’g 11-15. Patent Owner alleges that we overlooked the Federal Circuit’s decisions in *McRO* and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11-13), and concluding that

Because the challenged claims are a technological improvement over the then-existing systems and methods, and limit transfer and retrieval of content based on payment validation in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13 (citing Ex. 1001, 26:35-37 (claim 1), 28:3-9 (claim 14)). But *McRO* does not stand for the general proposition that payment validation to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that “the claimed improvement [was] allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human animators.” *McRO*, 837 F.3d at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective*

⁶ *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

process performed by human artists into a mathematically *automated* process executed on computers (i.e., the processes were fundamentally different). *Id.* at 1314. The Court explained that “it [was] the incorporation of the claimed rules, not the use of the computer, that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations “where the claimed computer-automated process and the prior method were carried out in the same way.” *Id.* (citing *Parker v. Flook*, 437 U.S. 584, 585-86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims “merely implement an old practice in a new environment.” Final Dec. 13 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue in *McRO*. *FairWarning*, 839 F.3d at 1094-95. In *FairWarning*, the Court explained that “[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries” and that it is the “incorporation of a computer, *not* the claimed rule, that purportedly ‘improve[s] [the] existing technological process.’” *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the “payment validation” in claim 14, for example, is merely a condition for “retrieving . . . and transmitting the purchased item of multimedia content to the handheld multimedia terminal” that the ’516 patent explains “will normally be dependent upon payments made for data stored on

the data carrier” (i.e., allowing access when the data, i.e., the claimed “multimedia,” has been purchased). Ex. 1001, 9:27-30.

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that “the challenged claims of the ’516 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use an unconventional technological approach.” Req. Reh’g 14-15 (citing PO Resp. 47-48)⁷. We disagree.

In *Amdocs*, the Court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* The Court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases).” *Id.* The Court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300-1301. When determining that the claim was patent-eligible, the Court explained that the “enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem.” *Id.* at 1301. The Court distinguished the claim from

⁷ This is the only instance where one of Patent Owner’s papers is cited in the Request.

the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that the “enhancing limitation . . . necessarily incorporates the invention’s distributed architecture—an architecture providing a technological solution to a technological problem,” which “provides the requisite ‘something more’ than the performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, “[t]he ’516 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components.” Final Dec. 15. Unlike the generic components at issue in *Amdocs*, the generic components recited in claims 1-28 of the ’516 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See* Final Dec. 20-22. Claims 1-28 of the ’516 patent simply recite generic memories, processors, and “code to” perform well-known functions with no description of the underlying implementation or programming.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

[Service List Omitted]

STATUTORY AND REGULATORY PROVISIONS INVOLVED

The Patent Act, Title 35 of the U.S. Code, provides in relevant part:

35 U.S.C. § 6 provides:

§ 6. Patent Trial and Appeal Board

(a) In General.—There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

(b) Duties.—The Patent Trial and Appeal Board shall—

- (1)** on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);
- (2)** review appeals of reexaminations pursuant to section 134(b);
- (3)** conduct derivation proceedings pursuant to section 135; and
- (4)** conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

(c) 3-Member Panels.—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) Treatment of Prior Appointments.—The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

35 U.S.C. § 141 provides:

§ 141. Appeal to Court of Appeals for the Federal Circuit

(a) Examinations.—An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

b) Reexaminations.—A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board

under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(c) Post-Grant and Inter Partes Reviews.—A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) Derivation Proceedings.—A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

35 U.S.C. § 142 provides:

§ 142. Notice of appeal

When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the Patent and Trademark Office a written notice of appeal directed to the Director, within such time after the date of the decision from which the appeal is taken as the Director prescribes, but in no case less than 60 days after that date.

35 U.S.C. § 143 provides:

§ 143. Proceedings on appeal

With respect to an appeal described in section 142, the Director shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the Patent and Trademark Office. The court may request that the Director forward the original or certified copies of such documents during pendency of the appeal. In an ex parte case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation proceeding under section 135 or in an inter partes or post-grant review under chapter 31 or 32. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Director and the parties in the appeal.

35 U.S.C. § 144 provides:

§ 144. Decision on appeal

The United States Court of Appeals for the Federal Circuit shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office. Upon its determination the court shall issue to the Director its mandate and opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case.

35 U.S.C. § 311 provides:

§ 311. Inter partes review

(a) In General.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) Scope.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) Filing Deadline.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

35 U.S.C. § 312 provides:

§ 312. Petitions

(a) Requirements of Petition.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) Public Availability.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

35 U.S.C. § 313 provides:

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

35 U.S.C. § 314 provides:

§ 314. Institution of inter partes review

(a) Threshold.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) Timing.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) Notice.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is

practicable. Such notice shall include the date on which the review shall commence.

(d) No Appeal.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

35 U.S.C. § 315 provides:

§ 315. Relation to other proceedings or actions

(a) Infringer’s Civil Action.—

(1) Inter partes review barred by civil action.

—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) Stay of civil action.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) Treatment of counterclaim.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) Patent Owner's Action.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) Joinder.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) Multiple Proceedings.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) Estoppel.—

(1) Proceedings before the office.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) Civil actions and other proceedings.—

The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

35 U.S.C. § 316 provides:

§ 316. Conduct of inter partes review

(a) Regulations.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except

that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) Considerations.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) Patent Trial and Appeal Board.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) Amendment of the Patent.—

(1) In general.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) Scope of claims.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) Evidentiary Standards.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

35 U.S.C. § 317 provides:

§ 317. Settlement

(a) In General.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) Agreements in Writing.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the

parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

35 U.S.C. § 318 provides:

§ 318. Decision of the Board

(a) Final Written Decision.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) Certificate.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) Intervening Rights.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or

used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) Data on Length of Review.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

35 U.S.C. § 319 provides:

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

35 U.S.C. § 321 provides:

§ 321. Post-grant review

(a) In General.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review.

(b) Scope.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).

(c) Filing Deadline.—A petition for a post-grant review may only be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be).

35 U.S.C. § 322 provides:

§ 322. Petitions

(a) Requirements of Petition.—A petition filed under section 321 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 321;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) Public Availability.—As soon as practicable after the receipt of a petition under section 321, the Director shall make the petition available to the public.

35 U.S.C. § 323 provides:

§ 323. Preliminary response to petition

If a post-grant review petition is filed under section 321, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

35 U.S.C. § 324 provides:

§ 324. Institution of post-grant review

(a) Threshold.—The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

(b) Additional Grounds.—The determination required under subsection (a) may also be satisfied by a showing that the petition raises a novel or

unsettled legal question that is important to other patents or patent applications.

(c) Timing.—The Director shall determine whether to institute a post-grant review under this chapter pursuant to a petition filed under section 321 within 3 months after—

(1) receiving a preliminary response to the petition under section 323; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(d) Notice.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a) or (b), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(e) No Appeal.—The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.

35 U.S.C. § 325 provides:

§ 325. Relation to other proceedings or actions

(a) Infringer's Civil Action.—

(1) Post-grant review barred by civil action.—

A post-grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) Stay of civil action.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the

date on which the petitioner files a petition for post-grant review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) Treatment of counterclaim.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) Preliminary Injunctions.—If a civil action alleging infringement of a patent is filed within 3 months after the date on which the patent is granted, the court may not stay its consideration of the patent owner’s motion for a preliminary injunction against infringement of the patent on the basis that a petition for post-grant review has been filed under this chapter or that such a post-grant review has been instituted under this chapter.

(c) Joinder.—If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

(d) Multiple Proceedings.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of any post-grant review under this

chapter, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding. In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

(e) Estoppel.—

(1) Proceedings before the office.—The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

(2) Civil actions and other proceedings.—The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

(f) Reissue Patents.—A post-grant review may not be instituted under this chapter if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in section 321(c) would bar filing a petition for a post-grant review for such original patent.

35 U.S.C. § 326 provides:

§ 326. Conduct of post-grant review

(a) Regulations.—The Director shall prescribe regulations-

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under subsections (a) and (b) of section 324;

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing a post-grant review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 323 after a post-grant review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in any post-grant review be issued not later than 1 year after the date on which the Director notices the institution of a proceeding under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 325(c); and

(12) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) Considerations.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) Patent Trial and Appeal Board.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each post-grant review instituted under this chapter.

(d) Amendment of the Patent.—

(1) In general.—During a post-grant review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 327, or upon the request of the patent owner for good cause shown.

(3) Scope of claims.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) Evidentiary Standards.—In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

35 U.S.C. § 327 provides:

§ 327. Settlement

(a) In General.—A post-grant review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the post-grant review is terminated with respect to a petitioner under this section, no estoppel under section 325(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that post-grant review. If no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision under section 328(a).

(b) Agreements in Writing.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of a post-grant review under this section shall be in writing, and a true copy of such agreement or understanding shall be filed in the Office before the termination of the post-grant review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

35 U.S.C. § 328 provides:

§ 328. Decision of the Board

(a) Final Written Decision.—If a post-grant review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 326(d).

(b) Certificate.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) Intervening Rights.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following a post-grant review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) Data on Length of Review.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each post-grant review.

35 U.S.C. § 329 provides:

§ 329. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 328(a) may appeal the decision pursuant to sections 141 through 144. Any party to the post-grant review shall have the right to be a party to the appeal.

Section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329-31 (2011), as amended by Act of January 14, 2013, Pub. L. No. 112-274, § 1(b), 126 Stat. 2456, 2456 (reprinted at 35 U.S.C. § 321 note), provides:

“(a) Transitional Program.—

“(1) Establishment.—Not later than the date that is 1 year after the date of the enactment of this Act [Sept. 16, 2011], the Director [Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office] shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code, subject to the following:

“(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of section 325 of such title shall not apply to a transitional proceeding.

“(B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person’s real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent.

“(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1) [set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title], may support such ground only on the basis of—

“(i) prior art that is described by section 102(a) of such title (as in effect on the day before such effective date); or

“(ii) prior art that—

“(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

“(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.

“(D) The petitioner in a transitional proceeding that results in a final written decision under section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent, or the petitioner’s real party in interest, may not assert, either in a civil action

arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

“(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.

“(2) **Effective date.**—The regulations issued under paragraph (1) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act [Sept. 16, 2011] and shall apply to any covered business method patent issued before, on, or after that effective date, except that the regulations shall not apply to a patent described in section 6(f)(2)(A) of this Act [set out as a note above] during the period in which a petition for post-grant review of that patent would satisfy the requirements of section 321(c) of title 35, United States Code.

“(3) **Sunset.**—

“(A) **In general.**—This subsection, and the regulations issued under this subsection, are repealed effective upon the expiration of the 8-year period beginning on the date that the regulations issued under to [sic] paragraph (1) take effect [Regulations effective Sept. 16, 2012, see 77 F.R. 48680.].

“(B) **Applicability.**—Notwithstanding subparagraph (A), this subsection and the regulations issued under this subsection shall continue to apply, after the date of the repeal under subparagraph (A), to any petition for a transitional

proceeding that is filed before the date of such repeal.

“(b) Request for Stay.—

“(1) In general.—If a party seeks a stay of a civil action alleging infringement of a patent under section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on—

“(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;

“(B) whether discovery is complete and whether a trial date has been set;

“(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

“(D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

“(2) Review.—A party may take an immediate interlocutory appeal from a district court’s decision under paragraph (1). The United States Court of Appeals for the Federal Circuit shall review the district court’s decision to ensure consistent application of established precedent, and such review may be de novo.

“(c) ATM Exemption for Venue Purposes.—In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of

business for purposes of section 1400(b) of title 28, United States Code.

“(d) Definition.—

“(1) In general.—For purposes of this section, the term ‘covered business method patent’ means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

“(2) Regulations.—To assist in implementing the transitional proceeding authorized by this section, the Director shall issue regulations for determining whether a patent is for a technological invention.

“(e) Rule of Construction. —Nothing in this section shall be construed as amending or interpreting categories of patent-eligible subject matter set forth under section 101 of title 35, United States Code.”

Title 37 of the Code of Federal Regulations provides in relevant part:

37 C.F.R. § 42.4 provides:

§ 42.4 Notice of trial.

(a) *Institution of trial.* The Board institutes the trial on behalf of the Director.

(b) Notice of a trial will be sent to every party to the proceeding. The entry of the notice institutes the trial.

(c) The Board may authorize additional modes of notice, including:

(1) Sending notice to another address associated with the party, or

(2) Publishing the notice in the Official Gazette of the United States Patent and Trademark Office or the FEDERAL REGISTER.

37 C.F.R. § 42.12 provides:

§ 42.12 Sanctions.

(a) The Board may impose a sanction against a party for misconduct, including:

(1) Failure to comply with an applicable rule or order in the proceeding;

(2) Advancing a misleading or frivolous argument or request for relief;

(3) Misrepresentation of a fact;

(4) Engaging in dilatory tactics;

(5) Abuse of discovery;

(6) Abuse of process; or

(7) Any other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.

(b) Sanctions include entry of one or more of the following:

(1) An order holding facts to have been established in the proceeding;

(2) An order expunging or precluding a party from filing a paper;

(3) An order precluding a party from presenting or contesting a particular issue;

(4) An order precluding a party from requesting, obtaining, or opposing discovery;

(5) An order excluding evidence;

(6) An order providing for compensatory expenses, including attorney fees;

(7) An order requiring terminal disclaimer of patent term; or

(8) Judgment in the trial or dismissal of the petition.

37 C.F.R. § 42.53 provides:

§ 42.53 Taking testimony.

(a) *Form.* Uncompelled direct testimony must be submitted in the form of an affidavit. All other testimony, including testimony compelled under 35 U.S.C. 24, must be in the form of a deposition transcript. Parties may agree to video-recorded testimony, but may not submit such testimony without prior authorization of the Board. In addition, the

Board may authorize or require live or video-recorded testimony.

(b) *Time and location.* (1) Uncompelled direct testimony may be taken at any time to support a petition, motion, opposition, or reply; otherwise, testimony may only be taken during a testimony period set by the Board.

(2) Except as the Board otherwise orders, during the testimony period, deposition testimony may be taken at any reasonable time and location within the United States before any disinterested official authorized to administer oaths at that location.

(3) Uncompelled deposition testimony outside the United States may only be taken upon agreement of the parties or as the Board specifically directs.

(c) *Duration.* (1) Unless stipulated by the parties or ordered by the Board, direct examination, cross-examination, and redirect examination for compelled deposition testimony shall be subject to the following time limits: Seven hours for direct examination, four hours for cross-examination, and two hours for redirect examination.

(2) Unless stipulated by the parties or ordered by the Board, cross-examination, redirect examination, and re-cross examination for uncompelled direct testimony shall be subject to the follow time limits: Seven hours for cross-examination, four hours for redirect examination, and two hours for re-cross examination.

(d) *Notice of deposition.* (1) Prior to the taking of deposition testimony, all parties to the proceeding must agree on the time and place for taking testimony. If the parties cannot agree, the party seeking

the testimony must initiate a conference with the Board to set a time and place.

(2) Cross-examination should ordinarily take place after any supplemental evidence relating to the direct testimony has been filed and more than a week before the filing date for any paper in which the cross-examination testimony is expected to be used. A party requesting cross-examination testimony of more than one witness may choose the order in which the witnesses are to be cross-examined.

(3) In the case of direct deposition testimony, at least three business days prior to the conference in paragraph (d)(1) of this section, or if there is no conference, at least ten days prior to the deposition, the party seeking the direct testimony must serve:

(i) A list and copy of each document under the party's control and on which the party intends to rely; and

(ii) A list of, and proffer of reasonable access to, anything other than a document under the party's control and on which the party intends to rely.

(4) The party seeking the deposition must file a notice of the deposition at least ten business days before a deposition.

(5) *Scope and content*—(i) For direct deposition testimony, the notice limits the scope of the testimony and must list:

(A) The time and place of the deposition;

(B) The name and address of the witness;

(C) A list of the exhibits to be relied upon during the deposition; and

(D) A general description of the scope and nature of the testimony to be elicited.

(ii) For cross-examination testimony, the scope of the examination is limited to the scope of the direct testimony.

(iii) The notice must list the time and place of the deposition.

(iv) Where an additional party seeks to take direct testimony of a third party witness at the time and place noticed in paragraph (d)(5) of this section, the additional party must provide a counter notice that lists the exhibits to be relied upon in the deposition and a general description of the scope and nature of the testimony to be elicited.

(6) *Motion to quash*—Objection to a defect in the notice is waived unless the objecting party promptly seeks authorization to file a motion to quash.

(e) *Deposition in a foreign language*. If an interpreter will be used during the deposition, the party calling the witness must initiate a conference with the Board at least five business days before the deposition.

(f) *Manner of taking deposition testimony*. (1) Before giving deposition testimony, each witness shall be duly sworn according to law by the officer before whom the deposition is to be taken. The officer must be authorized to take testimony under 35 U.S.C. 23.

(2) The testimony shall be taken with any questions and answers recorded in their regular order by the officer, or by some other disinterested person in the presence of the officer, unless the presence of the officer is waived on the record by agreement of all parties.

(3) Any exhibits used during the deposition must be numbered as required by § 42.63(c), and must, if not previously served, be served at the deposition.

Exhibits objected to shall be accepted pending a decision on the objection.

(4) All objections made at the time of the deposition to the qualifications of the officer taking the deposition, the manner of taking it, the evidence presented, the conduct of any party, and any other objection to the deposition shall be noted on the record by the officer.

(5) When the testimony has been transcribed, the witness shall read and sign (in the form of an affidavit) a transcript of the deposition unless:

- (i) The parties otherwise agree in writing;
- (ii) The parties waive reading and signature by the witness on the record at the deposition; or
- (iii) The witness refuses to read or sign the transcript of the deposition.

(6) The officer shall prepare a certified transcript by attaching a certificate in the form of an affidavit signed and sealed by the officer to the transcript of the deposition. Unless the parties waive any of the following requirements, in which case the certificate shall so state, the certificate must state:

- (i) The witness was duly sworn by the officer before commencement of testimony by the witness;
- (ii) The transcript is a true record of the testimony given by the witness;
- (iii) The name of the person who recorded the testimony, and if the officer did not record it, whether the testimony was recorded in the presence of the officer;
- (iv) The presence or absence of any opponent;
- (v) The place where the deposition was taken and the day and hour when the deposition began and ended;

(vi) The officer has no disqualifying interest, personal or financial, in a party; and

(vii) If a witness refuses to read or sign the transcript, the circumstances under which the witness refused.

(7) Except where the parties agree otherwise, the proponent of the testimony must arrange for providing a copy of the transcript to all other parties. The testimony must be filed as an exhibit.

(8) Any objection to the content, form, or manner of taking the deposition, including the qualifications of the officer, is waived unless made on the record during the deposition and preserved in a timely filed motion to exclude.

(g) *Costs.* Except as the Board may order or the parties may agree in writing, the proponent of the direct testimony shall bear all costs associated with the testimony, including the reasonable costs associated with making the witness available for the cross-examination.

37 C.F.R. § 42.71 provides:

§ 42.71 Decision on petitions or motions.

(a) *Order of consideration.* The Board may take up petitions or motions for decisions in any order, may grant, deny, or dismiss any petition or motion, and may enter any appropriate order.

(b) *Interlocutory decisions.* A decision on a motion without a judgment is not final for the purposes of judicial review. If a decision is not a panel decision, the party may request that a panel rehear the decision. When rehearing a non-panel decision, a panel

will review the decision for an abuse of discretion. A panel decision on an issue will govern the trial.

(c) *Petition decisions.* A decision by the Board on whether to institute a trial is final and nonappealable. A party may request rehearing on a decision by the Board on whether to institute a trial pursuant to paragraph (d) of this section. When rehearing a decision on petition, a panel will review the decision for an abuse of discretion.

(d) *Rehearing.* A party dissatisfied with a decision may file a single request for rehearing without prior authorization from the Board. The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply. A request for rehearing does not toll times for taking action. Any request must be filed:

(1) Within 14 days of the entry of a non-final decision or a decision to institute a trial as to at least one ground of unpatentability asserted in the petition; or

(2) Within 30 days of the entry of a final decision or a decision not to institute a trial.

37 C.F.R. § 42.208 provides:

§ 42.208 Institution of post-grant review.

(a) When instituting post-grant review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of post-grant review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute post-grant review on that ground.

(c) *Sufficient grounds.* Post-grant review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would, if unrebutted, demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute a post-grant review. A petitioner may seek leave to file a reply to the preliminary response in accordance with §§ 42.23 and 42.24(c). Any such request must make a showing of good cause.

(d) *Additional grounds.* Sufficient grounds under § 42.208(c) may be a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

37 C.F.R. § 42.301 provides:

§ 42.301 Definitions.

In addition to the definitions in § 42.2, the following definitions apply to proceedings under this subpart D:

(a) *Covered business method patent* means a patent that claims a method or corresponding apparatus for

performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

(b) *Technological invention.* In determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods (section 42.301(a)), the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.

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**Supreme Court of the United States
Office of the Clerk
Washington, DC 20543-0001**

SCOTT S. HARRIS
Clerk of the Court
(202) 479-3011

July 5, 2018

Mr. Aaron M. Panner
Kellogg, Hansen, Todd,
Figel & Frederick, P.L.L.C.
1615 M Street, NW
Suite 400
Washington, DC 20036-3209

Re: Smartflash LLC
v. Samsung Electronics America, Inc., et al.
Application No. 18A8

Dear Mr. Panner:

The application for an extension of time within which to file a petition for a writ of certiorari in the above-entitled case has been presented to The Chief Justice, who on July 5, 2018, extended the time to and including August 9, 2018.

This letter has been sent to those designated on the attached notification list.

Sincerely,

Scott S. Harris, Clerk
by /s/ MICHAEL DUGGAN
Michael Duggan
Case Analyst

[attached notification list omitted]